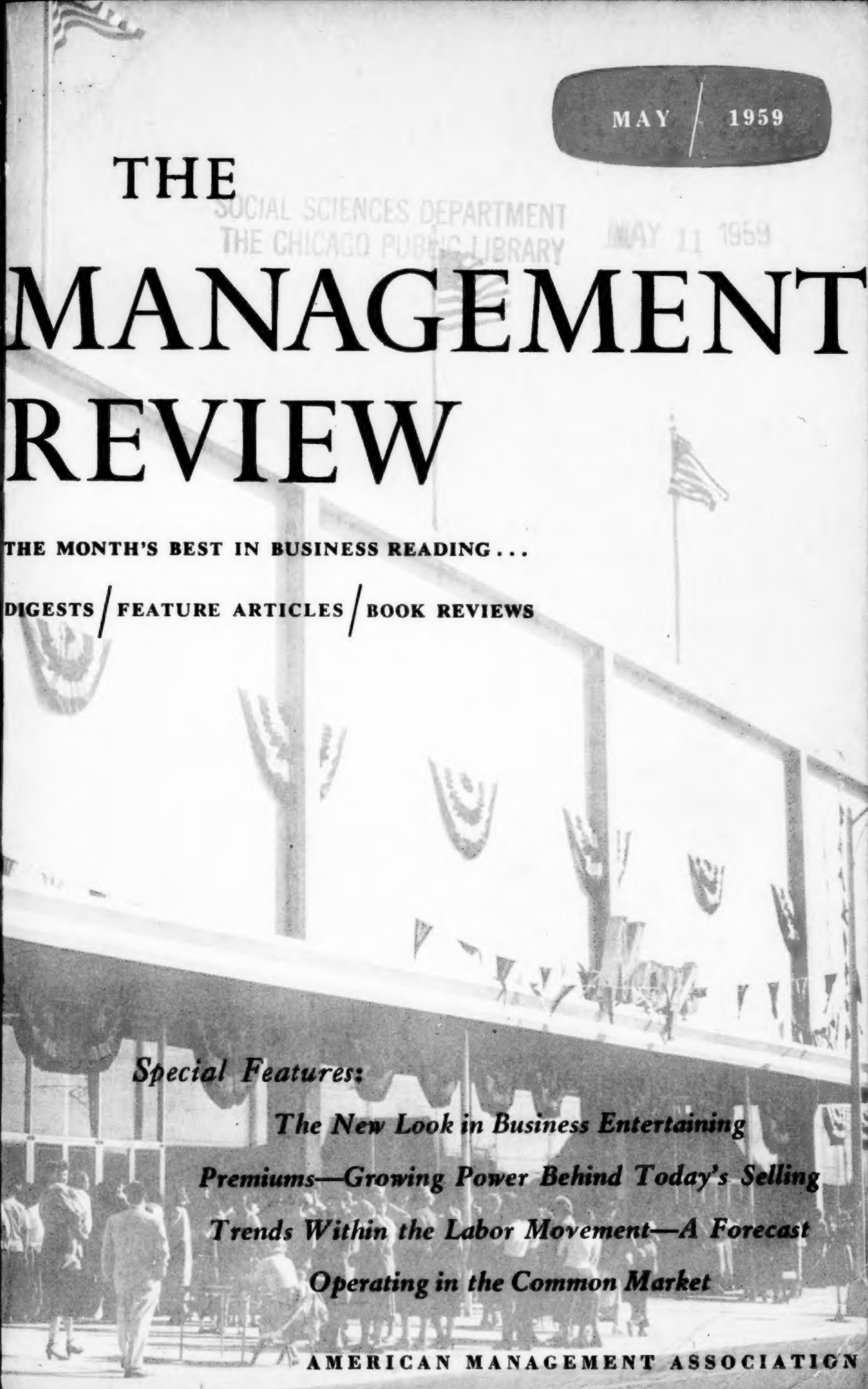

MAY / 1959

THE MANAGEMENT REVIEW

THE MONTH'S BEST IN BUSINESS READING . . .

DIGESTS / FEATURE ARTICLES / BOOK REVIEWS

Special Features:

The New Look in Business Entertaining

Premiums—Growing Power Behind Today's Selling

Trends Within the Labor Movement—A Forecast

Operating in the Common Market

AMERICAN MANAGEMENT ASSOCIATION

in this issue . . .

- **Be My Guest.** The ubiquitous steamer baskets, liquor hampers, smoked turkeys, and desk sets that have been arriving at some offices at the drop of a holiday won't be quite so much in evidence in '59 and '60, from all indications. Many companies that decided to dispense with them as a temporary recession measure discovered that these seasonal gestures of good will, perfunctorily given and received, make little real difference in the relationship of one company to another. For the same reason, the days of lavish spending on expense accounts appear to be numbered in some companies, decidedly over in others. For the details, see this month's opening article, *The New Look in Business Entertaining.*

- **An Entirely Different Kind of Gift**—one that goes straight to the consumer—has been with us a long, long time, but it's going stronger today than ever before. *Premiums—Growing Power Behind Today's Selling* (page 9) tells how companies are giving away everything from subway tokens to rock-and-roll records—with terrific sales results.

- **Inside Labor.** If one is serious about understanding the American labor picture today, declares labor editor DANIEL BELL, he needs a sense of theory in order to reconcile some apparent contradictions in the movement. In his article on page 14, Mr. Bell presents a framework for assessing the economic, political, and social impact of unionism and its probable future course.

- **Operating in the European Common Market.** Companies planning to set up shop in the Common Market countries—either directly or in conjunction with manufacturers and distributors abroad—as well as those already operating there, face new problems with licensing agreements (and their alternatives), patents, and other related matters. The article beginning on page 19 discusses some of the choices that have to be made and presents guides for making them soundly.

—THE EDITORS

MAY 1959
Volume XLVIII, No. 5

THE MANAGEMENT REVIEW

FEATURES

BUSINESS DIGESTS OF THE MONTH

Trends and perspectives

Cover photograph: H. Armstrong Roberts

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The New Look in Business Entertaining

■ ***Charles A. Cerami***
Kiplinger Washington Bureau

No one was surprised to find that most companies tightened up on their hospitality to visiting customers during last year's recession. But two other lesser-known developments are also worth noting:

- Many companies that prospered throughout the slump took the opportunity to cut down on their lavishness to visiting firemen anyway. Firms in the southwest and other areas that were hardly affected by the slump, for example, reduced their entertainment practices almost as much as the hard-hit companies.
- Most businesses all over the U.S. and Canada are continuing to enforce the cuts they made, even now that they are back on the profit beam.

Whether or not the short-lived recession has actually worked a lasting change on an honored business tradition, it has at least raised

this interesting question: Is it possible that U.S. businessmen have never really believed that business entertainment helps to make money for the company?

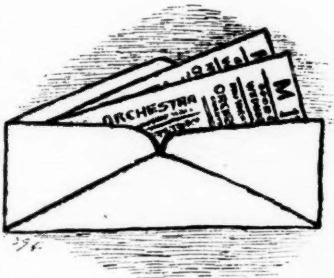
IS ENTERTAINMENT NECESSARY?

It would be easy to go overboard along that line of thinking, but there are several contrary arguments to keep in mind. Just the fact of cutting down during hard times doesn't prove lack of faith in an institution. Some have said, for instance, that the drop in advertising showed doubt of its effectiveness. But the truth is that when the cash position wobbles and something has to be sacrificed, even the most sacred operations may have to be chopped. Business cuts its buying of capital equipment at such times, after all, and that surely doesn't prove a lack of belief in plants and machinery.

There is also the obvious fact that a decline in net profits, and therefore in corporate taxes, makes every entertainment dollar cost more. So an expenditure that seemed worthwhile in boom years may simply be overpriced in a low-tax period.

But even after those points are considered, a big question mark stays with us. Why have these cuts been kept in force *after* the need has passed? Discussions with executives in many companies across the country, management consultants, and other experts confirm the fact that few companies have any intention of returning to their entertainment policies of post-war years.

The reasons they give add up to a conclusion that the American businessman believes in some, but not in all, forms of customer hospitality. He senses that much of it is essential, while other forms are unnecessary or actually harmful. But he has not thought consciously about it, and he moves on impulse—often with a twinge of conscience.



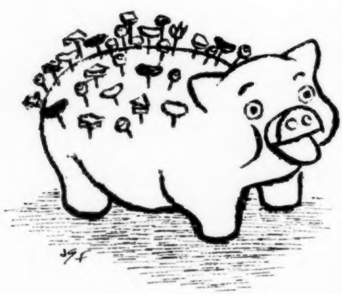
The whole question is worth a careful look. Managers are supposed to have good reasons for what they do. And it *is* possible to find the pros and cons of this issue—to decide just how much and

what kind of hospitality you should offer your business contacts, and how much you should accept in return.

CREATING AN IMAGE

The one clear rule that stands out above all the others is this: Entertainment is a good business technique when it puts across the image that you want to create in the other man's mind. Since the dollar amounts involved are usually small in proportion to over-all operating and selling expenses, it's not so much the money invested that is important, but the psychological factors around it. If the hospitality really puts you and your company in a better light, it's a good thing. If it fails to do that, it may be worse than no entertainment at all.

This suggests a reason for the guilty feeling some executives have about the spending they do on their customers. "It's seldom the fact that he may have spent $100 of the firm's money in an evening that makes a man feel badly," says a board chairman in the machine tool industry. "But he senses the possibility that a poor impression has been created. He knows subconsciously that if he were in the other fellow's shoes, he might have had more respect for a supplier who said at 11 P.M., 'Well, I'd like to turn in early if you don't mind. We've got a hard day coming up tomorrow.' A good businessman has more respect for that kind of contact than for the man who is happy to go from one night club to another and lean against a bar until two in the morning."



Of course, not all visitors are sound pillars of the business community, and some actually *are* impressed by lavish spending and a rare good time. But, as one of the nation's top tax authorities points out, these are not usually the kind who count for much in their own firms or who will prove to be steady customers. What *they* think seldom makes much difference.

What it adds up to, then, is that a visitor should be given the impression of friendliness and genuine hospitality without lavish-

ness. Anything that makes him wonder about the depth of your common sense or the height of your profit margins must be avoided like the plague. Keep in mind the fact that, perhaps unconsciously, he will be mentally totting up how much you are spending and comparing it with what you expect to get from him in return. A high bill for the night hints to him that you hope to make up for it in your next transaction.

THE WELCOME GUEST

That's the negative side—the impression you must *not* give. What about the positive goal to shoot for?

The best impression of all is one that makes the other man feel like a part of your organization. If he is taken to elegant spots where you yourself obviously would not go regularly, he is made to feel like a stranger—however honored a stranger. But if you select a restaurant where you would take your own good friends, you make him feel welcome and at home.

The secret of all successful business entertaining is to make your guest feel close to you and genuinely trusting of your firm—not awestruck by your grandiose style of living. That doesn't mean taking him to the eatery you might patronize on a hasty lunch hour. Whatever you do for him should be keyed to the level of his own position and his normal living standards. You do want him to feel like a special guest, but one you are out to please rather than to dazzle.

THE COST OF HOSPITALITY

Although the actual amount of money spent on entertainment is seldom a major item in the average company, it is still worth careful attention in these days when high costs have to be attacked on all fronts.

One way of significantly slicing the expense of hospitality to customers is by keeping to a minimum the number of your own employees who go along on such an occasion, whether it's just a lunch or a night on the town.

An executive in an air-conditioning firm told me of his recent experience when three customers from Mexico called at his New York headquarters. "Our export manager thought of each person in the company who might have the remotest interest in lunching with

these men. The first thing we knew, there were seven of us—executives, engineers, and a traffic manager—outnumbering our visitors by more than two to one. Aside from the fact that a big table for ten in a noisy restaurant is no place to get anything said, we ran up a $60 tab for no good reason at all."

Generally speaking, although an outing often provides good opportunities for getting business done or at least creating better understanding, it's best limited to the smallest possible number. A twosome or threesome has a good chance of creating the right atmosphere; every extra man above that number usually just clutters the scene.

Another money-saver that has many collateral advantages is to take it easy on the alcohol. Some companies refuse to allow liquor as an expense-account item. This is, of course, an extreme position; if a customer obviously wants a drink before his dinner, it may be awkward not to go along. But overdoing the cocktail hour is not only a needless expense; like other kinds of lavishness that boomerang, it will only make your visitor wonder what kind of outfit you have—after his happy glow has given way to a headache.

WHEN YOU ARE THE GUEST

When you find yourself on the receiving end of hospitality, the same emphasis on end results is important to bear in mind.

You're expecting this company to give you good materials, prices, or services. A friendly personal relationship may further those ends, so it's certainly in order to accept their courtesies gracefully. But beware of giving the impression that you expect it! At that point, hospitality becomes a bribe, and your own prestige goes on the chopping block.

No one who seems to be "out for a good time" when he's on company affairs can hope to enjoy the respect of other businessmen. As a matter of personal pride, it's better to err a little on the side of austerity when a business contact is going to be picking up the check.

At least one major organization, Western Electric Company, feels so strongly on this subject that it recently wrote to its 33,000 suppliers across the nation saying that its employees would accept no form of business hospitality unless it could be reciprocated. Even

(*Continued on page* 65)

PREMIUMS—*Growing Power Behind Today's Selling*

■ ***George Christopoulos***
The Biddle Survey
Biddle Purchasing Company

THE INDIANS who gave Manhattan Island to the Dutch settlers back in 1626 were—despite opinion to the contrary—shrewd businessmen. They weren't interested in selling real estate at all; their problem was disposing of a surplus bumper crop of corn. Peter Minuit balked at the high price, so the chieftains threw in title to the island—which they didn't own in the first place—and clinched the $24 barter transaction.

In short, Manhattan was the first New World premium.

Apocryphal though the story may be, it provides a historical backdrop to a modern fact: Premiums in America are well established, a $2.5 billion industry that is destined to grow still larger. Premium use in our modern distribution system provides a stimulus that moves billions of dollars' worth of goods and services. Each year, $10 billion are spent on advertising to sell the products of American

factories. Yet, this job could not be done as well without the little toy in the crackerjack box, the phonograph record attached to the package of cheese, the deed to one square inch of Davy Crockett's homeland inside the package of popcorn, or the blanket inside the washing machine.

WHAT IS A PREMIUM?

The premium is a physical extension of persuasion to buy. Unlike the advertisement, which persuades by appealing to the ear or eye, the premium is much more practical: it can be used. Precisely because it has a function, the premium has come into its own in an age when the consumer is interested in acquiring as much of any "goods" as possible.

The premiums just referred to are "in-package" types that need no follow-up. The customer buys the product and gets his bonus, free of charge. There are other types of premiums, however, and they're gaining in popularity. One kind is the "self-liquidator"—a premium for which the customer must mail in a boxtop and a coin, which covers all costs to the manufacturer. There are also "continuous" premiums, which utilize trading stamps, specially designated cash register tapes, box tops, coupons, or proofs-of-purchase. These are accumulated by the thousands and honored in regular retail stores, through the mails, or in special premium stores. They breed long-term consumer loyalty.

What is a *premium?* In the origin of the word itself lies much of the philosophy of premium use—and even the need for the use of premiums. Premium comes from the Latin word *praemium:* "What one has got before, or better than others." A premium is a reward or a prize to be won by being before others in a competition. The reason they are needed at all is that many similar products or services are in competition with each other for the consumer's dollar. Premiums make them slightly different—slightly "better." Another concept that stems from the definition itself has been proved in the marketplace: When premiums are offered, there is usually an increase in sale of the premiumed product. Competition is extended to include the general public. Many shoppers will stock up on a premium-attached item for fear that in a matter of weeks the manufacturer will cease the offer; and this is often the case.

The use of premiums can, of course, be interpreted in two ways: (1) there is forced distribution of the product; or (2) it lends suspense, fun, and excitement to the shopping chore. The husband who comes home to find that his wife has bought six boxes of an exotic tea because she "just had to have six of those darling little dessert spoons" (attached one per box) knows fully the meaning of forced distribution. On the other hand, the housewife who goes into the supermarket with a well-developed bargain instinct is thrilled to encounter a good value in a premium offer that seems tailor-made for her.

Premiums and competition go hand in hand. In supermarketing,

Drawing by Chas. Addams
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the margin of net profit is about 2 per cent, with the A&P operating even lower. There is no battlefield more bloodstained, and it is a big war, since the food industry runs to a yearly aggregate of $75 billion. On this battlefield, the manufacturers of cereal, for example, have been fighting the premium wars for years. Every time you open a package of breakfast food you may find anything from a metal sharpshooting medal to a paper atomic cannon. On the outside of the package you may be tempted by an offer to acquire a set of silver, a recipe book, or tulip bulbs by sending in the required proof of purchase and the necessary amount of money.

One spaghetti manufacturer converted thousands of Italian-Americans to his product when he conceived an unusual kind of premium: Anyone in the U.S. who bought $10 worth of his products and enclosed $1.00 received a recording of a relative's voice from Italy.

In the hundred years it has been using premiums, the Babbitt Company has tried a lot of things, but the latest rabbit they pulled out of the premium hat is a real live one: a promotion called "Buy three, ride free." By buying three of its products and surrendering proof of purchase to the subway change-makers, the consumer receives a free subway token.

One might expect to find the use of premiums in the food industry, but even in the more traditionally conservative fields—say, in banking—premiums are firmly entrenched. Bankers are practical people; they know it is difficult to get many people to save part of their income, and harder still to persuade them to utilize a specific bank or savings association, even when advertising and other image-building publicity are used. Enter the premium. Banks are now giving wallets, knives, pots and pans, pens, and orchids to new depositors—and some of them give trading stamps. This is certainly a far cry from the days when you had to give references for the privilege of using a bank!

AIMING FOR THE CHILDREN

One gasoline company increased sales when it broadcast an offer of free postage stamp albums for the kiddies with every purchase. Many a father had to "fill 'er up" at a service station he did not patronize so junior could have his free stamp album.

This gasoline company isn't the first to utilize the power of child-directed selling. It is pretty well known that one of the strongest appeals to the adult consumer is through his child. Gilbert Research Co. commented recently that, although the "ask-your-mamma-to-buy" technique is considered nightmarish by many parents, it seems to work. One mother put it strongly: "Those premiums enclosed in cereal boxes are the bane of my existence."

This harried mother, incidentally, isn't alone in her feelings. Last summer, the president of a Canadian consumers' association leveled a blast at manufacturers there that was probably heard by some businessmen south of the spruce-lined border. Premiums and coupons, said the Canadian, are "bribes-to-buy," and they create suspicion that the product cannot stand on its own two feet. Not only do they "represent a form of blackmail through our children's untutored appetites," but they also add to the cost of marketing.

SIGNS OF OVERUSE?

These charges are not necessarily true, but the fact that some of the major cereal producers have come to a gentlemen's agreement to discontinue the inclusion of in-box premiums in cereals may be an indication of some kind of dissatisfaction with their use. Either the cost of premiums made their use prohibitive, public reaction turned against them, or, and this is most likely, the in-box premium was more trouble than the manufacturer bargained for. Whatever the reason, or reasons, it is a sign that premiums can be overdone.

One cereal manufacturer has gone so far as to promote his brand in this rather negative, yet humorous, way: "Mothers of America, rejoice! (Name of cereal) is guaranteed to contain no premiums—no whistles, missiles, rockets, or ruckus. No beanies, b-b's, heebies, or jeebies. Not a ball, bat, hat, or gat in any package of this crunchable, munchable, whole-wheat cereal. (Name of cereal) is made so the fun is in the flavor—the only cereal made on purpose for Grown-ups and Above-Average Children. You get taste instead of toys, and nutrition instead of noise. We take pride in proving this is one cereal worth buying for its own fine self—with no strings, rings, or things attached."

The food business is the great retail innovator, and it is imitated

(*Continued on page* 68)

TRENDS WITHIN THE LABOR MOVEMENT—A Forecast

■ *Daniel Bell*

An understanding of the American labor movement today cannot be gained by listening to inside stories. If one is serious about the topic, he needs a sense of theory to enable him to reconcile some apparent contradictions in the movement.

By and large, American businessmen are still very suspicious of the American labor movement. They think its purpose is to change and restrict the American enterprise system. Occasionally they hear labor leaders denounce businessmen as greedy profiteers, monopolists, and exploiters. In conversations with European Marxists, however, the self-same labor leaders praise the free enterprise system as the best method that has been devised for workers to get fair and increasing shares of the country's wealth; they praise the fact that workers have been able to do so well under the system and that we do not have a class society.

How do we reconcile contradictions of this kind? The apparent contradictions in the American labor union movement, and particularly in the actions and statements of American labor union leaders, can be reconciled if we see the movement in two contexts—operating in two different kinds of environment. One context might be called *market unionism* and the other *the social movement.*

Each labor union exists within a market or series of markets. It has to adapt itself to its specific industrial environment in order to

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Based on an address before the Alumni Conference of the School of Business Administration, University of Michigan.

survive. The American labor union movement has been and has become much more of a market-oriented group than a social movement, yet it exists in both contexts.

UNION IMPACT ON MARKETS

Labor unions, by their very nature, are monopoly organizations in the sense in which many corporations try to become monopolies—namely, they are seeking stabilization. They are trying to gain a certain kind of price rigidity. The union does this primarily by attemping to eliminate wages as a factor in competition. It says, in effect, that every firm should pay the same rate to the workers for a given type of work, and that if a firm cannot pay this rate it ought to go out of business.

In this way, the unions have become a part of the industrial structure. They do take a responsibility for the condition of the market. In fact, in some cases they engage in promotional effort to strengthen the market. (This was done by the Ladies' Garment Workers and by the Plasterers' Union when their industries were threatened.)

Unions As Controls

A union, in the market context, frequently reveals a second purpose. It becomes a part of the control system of management. It may be difficult for managers who deal with unions to appreciate this fact, particularly when the unions seem on many occasions to be entirely hostile rather than cooperative.

But this curious result of the union becoming a part of the control system of management does occur, because management itself has limits to its power. For example, let us consider the handling of wildcat strikes. It is very difficult in many instances for management, particularly if there is full employment, to handle a wildcat strike, but the union, under its contract, can get the men back to work.

In other ways—for example, in the bargaining process—the union serves by learning from the workers the set of priorities which they prefer with regard to the distribution of available work. And the union participates in settling a variety of problems which would create much friction if management made the decisions unilater-

ally—such matters as shift differentials, who should work overtime, etc. The union serves in this connection to ascertain what terms the workmen themselves want in the contract of employment. In such ways, the union becomes a part of the control system of management.

By becoming a stabilizing force in the product market and by enforcing contract terms, as well as by ascertaining what the workmen want in that regard, the unions have taken over some responsibility for the health of the market, particularly as this affects the employment of the members.

LIMITED OPPORTUNITIES FOR GROWTH

Now, however, unions have just about reached the limit of the kinds of things they can do in terms of their position in the market context. This argument is based on four observations.

"Saturation"

1. The American unions have pretty well exploited the opportunities for organizing workers in this country. This condition of saturation arises out of two facts. First, most of the large corporations, particularly those engaged in manufacturing, transportation, and public service, have been unionized. Moreover, since unionism in this country is peculiarly a blue-collar phenomenon, it has approached the saturation point in that most of the blue-collar workers in large companies have organized. This is certainly true in oil, automobiles, steel, rubber, glass, and other basic manufacturing industries.

By and large, the white-collar workers within these corporations are not organizable. For one thing, these white-collar workers get the same benefits that are achieved in the union contract. Also, both in point of view and physical presence, they are close to management.

Most of the remaining unorganized manufacturing firms in this country are of small size. Characteristically, they have fewer than a hundred workers, and many of these firms are located outside major urban centers. Such firms are extremely difficult for unions to organize. It is costly and uneconomic for unions to organize and service employees in small firms. Moreover, there is little incentive for a union to do so, because the extension of its pattern of wages

and benefits to the employees in these firms would not substantially increase its power to regulate market conditions.

Outside of the manufacturing sectors—that is, in banks, insurance companies, and real estate companies—it is also very difficult to organize white-collar workers. One reason is that many of these are young women, who expect to work only a few years and then leave. This high turnover discourages unionization.

White-Collar Workers

2. A second and probably more striking reason for the plateau that has been reached in organization drives in this country is the growth of the "tertiary" industries in contrast to the growth of the commodity-producing industries. Colin Clark, the British economist, in his book, *Conditions of Economic Progress,* stated that as national income rises, a greater proportion of it will be spent for services, trade, recreation, education, research, etc., and a smaller proportion for commodities. The labor force in these industries are largely white-collar workers.

A further fact that restricts union organization successes is the increase of the proportions of nonproduction workers in the manufacturing industries themselves. In the past ten years, for example, the number of blue-collar workers in these industries has remained almost constant—about 12.9 million. In contrast, the white-collar forces and other nonproduction workers (technicians, draftsmen, scientists and engineers) have increased about 55 per cent. In absolute terms, these white-collar groups have increased to 3.9 million. Thus, in manufacturing today, the indirect worker group forms about 23 per cent of the total number of employees.

In the heavy durable industries such as ordinance, guided missiles, and possible automobiles, the percentages of indirect workers are even higher. In some aircraft firms, these workers make up almost 50 per cent of the payroll. In auto companies they make up possibly 30 or 35 per cent of the entire forces of these companies.

Productivity

3. A third factor which is difficult to assess, but yet one which has a bearing, is the increased awareness in union circles and among the public generally that increases in the real incomes of the popu-

lation as a whole can come about only through increased productivity.

In this connection, the annual improvement clause which General Motors negotiated in 1950 is an important milestone. When the unions accepted this clause, and some of them have done it only recently, they accepted implicitly the concept that productivity sets the limits as to what can be gained in real income—that an increase in money wages greater than an increase in productivity sets up inflationary pressures. Now unions may not like this fact, and they may try to get around it, but this awareness of the limits set on real income improvement by productivity improvement will be a limiting factor on the kinds and amounts of economic demands which will be set forth by the unions in their collective bargaining.

Loss of èlan

4. A fourth factor that will limit union growth in the future is that the movement itself has lost a lot of its punch and drive. In effect, the union movement is only about twenty-five years old, and the men who created that movement are still on top. But those leaders now are aging; most of the members of the executive council of the AFL-CIO are in their sixties. These self-made men have not made provision for younger people to take over when they retire.

The loss of élan in the union movement results not only from the aging process among the leaders but also to some extent from success itself. That is, these leaders have achieved positions of some degree of security. Furthermore, in a few areas there has been corruption, which of course has diminished the luster of the union leader's status in our society.

Unions are facing up to this loss of élan as a serious problem, but at this time they really do not know how to cope with the situation.

UNIONS AS A SOCIAL MOVEMENT

Unions operate also in the context of a social movement. The leaders and many of the members have visions of what is right and what is wrong with our society. They have a feeling that incomes and privileges are not fairly distributed. The reforming zeal is one of the factors which has shaped and which still shapes a large part of the thinking of American unionists and their leaders.

(*Continued on page* 74)

OPERATING IN THE COMMON MARKET

A Look at the Practical Problems

■ ***Paul R. Porter***

President, Porter International Company
Washington, D.C.

RADICAL CHANGES in traditional ways of doing business overseas will result as the six-nation Common Market, which began operations in January, makes its influence increasingly felt. Companies with business interests in this area will be taking a new look at their overseas organizations, and none will find more sweeping changes or more unanswered questions than those who have—or plan to have—manufacturing operations in West Europe.

Companies operating overseas will have to re-examine their methods and plans, especially in two important areas—licensing arrangements and patents. In the light of changing conditions, many will find that these questions need new answers: (1) Shall we invest abroad, or license a European company to produce our product? (2) How will the ECM affect our patent practices overseas?

Some fundamental changes can be expected as the ECM becomes effective, and it is not too early for American manufacturers to begin considering how these changes will affect their businesses and their plans.

This article is based on a presentation by Mr. Porter before a recent American Management Association seminar.

Licensing, with or without patent protection, is the most frequent means whereby American technology is put to work in Europe. Relative to investment, it is even more frequently the means whereby European technology is introduced in this country.

Since foreign licenses granted by U.S. companies or individuals do not require the approval of our government unless national security is involved, and therefore are not consistently recorded by any official agency, it isn't clear how many U.S. companies have granted licenses, but they certainly outnumber those that participate financially in foreign subsidiaries. Probably, among U.S. companies that take part in some manner in foreign manufacture, licenses exceed investment ventures by a ratio of at least five to one.

PROS AND CONS OF LICENSING

The greater frequency of licenses does not mean, of course, that licenses are necessarily more advantageous to American manufacturers than foreign investment ventures. Quite often a license is the second choice of a company that would prefer to establish its own plant abroad but lacks the capital to do so. But there are also many instances in which licensing is both safer and more profitable to a U.S. company.

There is no rule which fits all cases. For most corporations, the choice between licensing and investing should be made by careful analysis of particular circumstances, rather than in accordance with a preconception.

What are some of the disadvantages of licensing?

1. A license may be a means of building up a future competitor —in the licensee's domestic market, in third countries, perhaps even in the U.S.

2. A license yields income for a shorter period than does investment.

3. The royalty return may be less than the prospective return on capital.

4. The licensor is dependent upon a management which he does not control. Only indirectly can the licensor influence manufacturing costs, sales, and quality, and, if the product is sold under the licensor's trademark, his reputation may be damaged.

Because of these disadvantages, most companies that have the

necessary resources prefer to establish subsidiaries rather than entering a license agreement.

There are, of course, advantages to licensing as well, and some of them may influence a company to choose this method of entering foreign operations:

1. The possessor of production knowledge or patent rights may derive foreign earnings therefrom without new capital.

2. A license does not place major burdens on management.

3. A license granted to a company already well established in the licensed market may enable the licensor to benefit from sales much larger than he could expect to develop himself—at least during the effective life of the controlling patent.

4. The licensee may be too strong for the licensor to compete against; a license would be better than a losing fight.

5. A licensor may gain valuable technology through reciprocity.

6. A license may be a stepping stone to an investment venture.

7. An overseas market may be separated by tariff barriers into national segments, each of which is too small to justify an American company establishing a subsidiary in it; the separate markets are better reached by separate licenses.

LICENSING IN COMMON MARKET COUNTRIES

These customary advantages and disadvantages of licensing are beginning to be affected by the prospects of the Common Market. A look at six case histories of actual companies should illustrate some of the changes and unresolved problems that companies with overseas operations are encountering in the ECM countries.

Case 1—Establishing a New Subsidiary

Company A has annual sales of over $125 million for a broad range of durable goods. This company has about a dozen licenses covering some of these products in Italy, France, and Germany. One license arrangement, periodically renewed on the basis of new patents, goes back over 30 years. From time to time in the past, Company A has examined the possibility of establishing one or more European subsidiaries, but each time the idea has been rejected.

After the Rome Treaty was signed, and principally because of it, Company A modified its long-standing policy and acquired a con-

trolling interest in a German company, which will make some of the products that the company had not licensed. When some present licenses expire, it is expected that the German subsidiary will also begin to manufacture the products covered by these licenses.

One product manufactured by an Italian licensee will also be manufactured by the new German subsidiary. The subsidiary and the Italian licensee will compete in all countries of the Common Market except Italy, where the licensee has exclusivity.

Company A is maintaining a flexible position. It has not reached a policy decision to terminate licensing altogether in the Common Market countries, but it believes that its position vis-a-vis licensees has been greatly strengthened. Licensees whose sales records have been generally satisfactory may even be licensed to make other Company A products, but the alternative of expanding the German plant is readily at hand.

Another aspect of Company A's decision also deserves note. In recent years, one licensee, whose success, Company A believes, has been due to the license, has been underselling Company A in a third market. Company A intends to regain that market through its new subsidiary.

The main significance of the case of Company A is that until the advent of the ECM, no single market among the six ever seemed large enough to warrant a major investment on the company's part, although the availability of investment capital has not been a serious problem.

Case 2—A Single Licensee . . . or Three?

Company B, a small company that manufactures an ingenious specialty bearing, enjoys a profitable business in the U.S., but the establishment of even one foreign subsidiary is beyond its resources. Licensing has been the only practical course open to Company B, and both its British and German licensees are major companies with sales organizations that have been able to introduce the product much more rapidly and on a broader scale than the licensor could possibly do himself.

The terms of the German license grant the licensee exclusive sales rights in Germany and Austria and nonexclusive sales rights in other countries of Continental Europe until such time as licenses

may be granted in these countries. Now the German licensee has proposed that its exclusive sales territory be broadened to include the whole of the Common Market, but French and Italian companies are also showing interest in obtaining licenses for the open territory.

Company B is finding it difficult to reach a decision. The remaining life of the patent is approximately that of the transition period for the abolition of internal tariffs within the Common Market. Right now, and for several years to come, a French licensee could probably develop greater sales in France than could the German licensee.

But what will be the situation five years from now? How rapidly will the duties on *this* product be reduced? Company B leans toward the idea of a single licensee for the Common Market, partly because relations with the German licensee are quite satisfactory. The German company has already made design improvements so promising that Company B is thinking of retooling to use the German design—and the license terms give Company B ownership of all improvements. Company B does not wish to offend the German licensee. On the other hand, it wants to obtain maximum exploitation of the French and Italian markets.

Whatever decision Company B makes, it will probably wonder for a long time if the decision was the right one.

Case 3—Continuing Long-Term Agreements

Company C has licenses in France and Germany. It has considered granting a license in Italy, but it is now holding aloof. Like Company B, this company has granted licenses to corporations much more powerful than itself. The capital needed to establish a subsidiary is not, however, the principal reason why Company C has chosen licensing in preference to establishing a subsidiary. A rapidly growing medium-sized company that is well ahead of its competitors, Company C could obtain the capital to establish its own plant if it wished. But Company C's products, here and abroad, are sold to a few large customers. Its influential licensees can sell to the foreign customers more surely than can Company C.

Moreover, while the company has some patents, they are not controlling. Its technology is still in a period of rapid growth.

(*Continued on page* 77)

BUSINESS DIGESTS OF THE MONTH

What can businessmen do to make their influence felt in national and local politics?

Politics and the Businessman

By Charles A. Perlitz, Jr.

FOR YEARS the cry has rung out periodically that businessmen must take more of a hand in politics, must make their voices heard on the significant issues confronting our country. All too true, but what are some of the things a businessman should do to take a more positive role in national affairs, and what are some of the actions and attitudes he should avoid?

Here are some suggestions, to begin with, on what a businessman *should* do:

1. *Keep informed about public affairs.*

You cannot play a truly constructive role in politics if your actions are based on half-truths and preconceived ideas. You need adequate facts, carefully interpreted, as a basis for forming sound judgments.

2. *Take a stand on important issues.*

Study objectively all sides of proposed legislation and have the courage to take a stand one way or the other. Recognize that to run from controversy is to abdicate your role as a responsible citizen. You may say to yourself: "If I take a stand on this public issue, I'll lose customers and friends. This will hurt my business." Perhaps it will, but if you fail to stand and be counted you soon may be without a business—damaged or otherwise. If your company is small, don't leave it up to the larger companies in your industry to shoulder your political responsibilities. This

From a talk delivered before the Texas Management Association.

places them, and ultimately yourself, in a politically vulnerable position.

One way in which you can take an affirmative position is to testify before congressional committees. It is a disturbing fact that the Joint Economic Committee hearings on government spending were dominated by nonbusiness witnesses.

3. *Support and cooperate with the government.*

Much government legislation contributes to the health and vitality of our free enterprise system, and many government agencies are doing an excellent job. Business should give credit where credit is due.

Businessmen should recognize that government regulation and intervention is necessary in our economy in many cases, and that as the economy grows even more complex, government's role as umpire will increase in importance. Blanket, unreasoning opposition to any and all legislative, regulatory, and other government agencies is often self-defeating. For example, you may persuade your congressman to vote to cut the budget for some regulatory agency. The result may be that the agency will be unable to hire an adequate staff, and you may some day have to put up with excessive delays in the processing of your own case.

4. *Participate personally in politics.*

Consider such participation not as "something extra" but as a regular and highly important part of your business job. If you are currently unable to participate in the national government, try to participate in state or local government. It is often more accessible, and its need for expert personnel and advice is great. Opportunities can be found in advisory bodies, municipal planning organizations, school boards, and the like.

A recent, comprehensive study by the Harvard Business School Club of Washington, D.C., showed that businessmen who spent time in government service were well-satisfied with the experience. On balance, they felt it had broadened their viewpoints, was challenging, and had enhanced their careers.

5. *Encourage political activities by your employees.*

Companies can encourage political activity by employees by giving them time off to vote, to attend precinct meetings, and to participate in political campaigns. Leaves of absence can be provided for employees elected to legislatures or other civic bodies.

Bold steps along these lines are already being taken by some large corporations. General Electric, for example, has set up a new Governmental Relations Service to serve as a "clearing-house for the company's over-all political problems and actions." GE's program includes four general areas: (1) legislative needs and administrative practices at national, state, and local levels, (2) improvement of the local plant-community climate, (3) nonpartisan teaching programs designed to help managers and employees understand the workings of our political system, and (4) direct participation in politics by managers and employees, not only as citizens and voters, but also as candidates for public office.

6. *Formulate your objectives.*

Do some searching thinking about the kind of society and kind of gov-

ernment you want to have in this country, and then take positive, aggressive action to bring those things about. Merely griping about the "mess in Washington" will relieve your feelings, but otherwise will accomplish nothing.

What are some of the "don'ts" for businessmen in the realm of political activity?

1. *Don't run to Washington for special favors.*

The free enterprise system may make life uncomfortable for you on occasion, but in so doing, it keeps you on your toes. Tariffs, import quotas, and other protectionist laws that go beyond the requirements of national security; fair trade laws which soften the force of honest competition; price supports; and government subsidies of various types can easily be carried to the point where they become incompatible with the free enterprise system. We should, therefore, be exceedingly careful about what we ask the government to do on our behalf.

2. *Don't invite prosecution or restrictive legislation.*

Among the things a business should scrupulously avoid are: misleading advertising; the use of economic power, intentionally or unintentionally, in such a way that it damages small competitors; pricing practices which border on collusion; the misuse of patents to stifle competition; waste in the exploitation of natural resources; and gift-giving to prominent people in government. The few businessmen who may persist in such practices have only themselves to blame if society insists on increasing federal regulation and control.

3. *Don't be self-righteous.*

Don't give the appearance of self-righteousness in your appearances before congressional committees, government agencies, and the general public. Too many businessmen today assume that by merely dedicating themselves to the interests of their own companies, they are automatically serving the best interests of the nation, and that any surveillance of their decisions by public agencies is presumptuous and totally unnecessary. Enlightened business managements realize, however, that the maximum social and economic good requires a careful compromising of the multi-faceted interests of stockholders, employees, and the general public; that the morally right decisions are not easily come by—even with the best of intentions; and that there are goals beyond profit to which a business must aspire.

Out of all the tumult and conflict in the political and business arenas today, it seems to me that these things stand clear:

A major evolution, or perhaps even a revolution, in business thinking is urgently needed. The business leaders of this country must come to recognize that their responsibility is not to "fight" the government, but to participate constructively in political affairs. Not many years ago, businessmen were highly antagonistic toward labor unions. In time, they came to recognize that more could be gained by working constructively to develop a sound relationship with the unions than by fighting them. A similar transition in management thinking in the field of government relations is needed today. ♦

INDUSTRIAL UNIONS—

Giants in Trouble

By Russell Chappell and Ralph de Toledano

Condensed from Newsweek

THE country's biggest industrial unions are in trouble. The UAW, to cite one example, has laid off 101 staff members, cut back its newspaper from a weekly to a monthly, and borrowed $2 million from the strike fund to keep things rolling. UAW dues-payers are down from a 1953 peak of nearly 1.5 million to barely more than a million.

Almost all of the old CIO powerhouses, now the Industrial Union Department of the merged AFL-CIO, are in similar difficulties. James Carey's International Union of Electrical Workers, for example, is down from a peak membership of nearly 400,000 to about 300,000. David McDonald's United Steelworkers, who were once nearly 1.3 million strong, now number less than a million.

The pain is made harder to bear by the knowledge that the industrial unions' old rivals, the craft organizations of the AFL, are either holding their own or gaining strength. And it must be still more galling to them to know that James Hoffa's 1.6 million Teamsters, who are not welcome in labor's house, have been growing at the rate of some 12,000 new members each month.

Why, in the midst of rapid business recovery, should the unions that have moved and shaken the economy since the mid-1930's seem to be falling now into decline?

Unemployment is the biggest reason. Although unemployment dropped in March, the figure announced for that month was still high at 4.4 million, almost 6 per cent of the labor force. The increase in the number of jobless, of course, was largely seasonal and not unusual for the winter doldrums. But more deep-seated forces are at work.

During the late recession, about 2.4 million jobs were wiped out. Up to now, only about 1 million of them have been restored. Rehiring, as economists are fond of pointing out, invariably lags behind other economic indicators during any recovery period. This time, though, no less an authority than the Federal Reserve Board believes that the lag is much more pronounced. There are three key reasons:

1. *Productivity*. "General Motors and Ford built close to 60,000 more cars in December, 1958, than they did in December, 1957," observes Woodrow Ginsberg, UAW's director of research, "but they did it with 33,400 fewer workers." In all manufacturing, in fact, the number of production workers rose less than

Newsweek (February 23, 1959), © *1959 by Newsweek, Inc.*

1 per cent (from about 12.8 million to 12.9 million) between 1947 and 1957. In the same decade, the index of industrial production shot up 43 per cent.

2. *Cost cutting.* Industry learned to practice economies during the recession months. As one businessman puts it: "There was plenty of deadwood cut out that will never be replaced."

3. *Uneven recovery.* Machinery makers and other durable-goods industries are reviving slowly. Older workers and older plants are the last to be brought back into action, creating stress in certain groups of the population and certain spots on the industrial map.

Of these three factors, the first gets most of the blame from the leaders of the industrial unions. Workers are being automated out of their old jobs, they argue, and they muster a long list of examples. In the Boeing Airplane Co. plant at Wichita, Kansas, four machines controlled by punched tape, each run by one man and a helper, are building wing panels for the B-52G Stratofortress, replacing 48 riveters. Two men monitor a machine that assembles and tests printed-circuit radios in the Philco Corporation Philadelphia plant as fast as 40 women used to do it. Automated devices, tended by a single man, produce 2,000 electric bulbs an hour at a Corning Glass plant, where a three-man shop once took 14 hours to make 1,200.

The result, cited by the Electrical Workers' James Carey: Electrical equipment output rose 103 per cent in a decade; employment went up only 43.7 per cent. "The American people," Carey says, "are actually working their way out of job opportunities by their very productivity."

Spokesmen for industry disparage the alarm over automation. As Benjamin Fairless, former chairman of U.S. Steel Corp., once remarked, automation itself—the production of its tools, instruments, and machines—has already become a $3 billion-a-year business employing thousands. ("Maybe," a union pessimist said, "but automated machines are now turning out automation machinery.") General Electric chairman Ralph J. Cordiner calls this the "bow-wave theory of technological employment . . . A wave of new employment opportunities that runs in front of automation."

It might be more to the point for the unions to worry about pricing labor out of the market, businessmen say. Every union-negotiated pay rise, they point out, makes automating more attractive to manufacturers. Evidence of this attitude is industry's rising average investment in its workers—up from $14,800 per man in 1956 to $16,000 in 1957.

In contrast to the gloom on the industrial-union front, the craft unions—with some exceptions—have never had it better. (The one industrial union showing recent gains, in fact, is the Machinists, which is something of a hybrid with both industrial and craft locals.) Among the many reasons for the prosperity of the old-line organizations, probably the most important is the heavier emphasis within the economy on services instead of manufactured goods. Last year, U.S. consumers spent 32 per cent of their $353.4 bil-

lion income on services, compared with 27 per cent ten years ago. The butcher, the baker, the restaurant waiter can't help but benefit from such a trend. And Hoffa's Teamsters, of course, take comfort from the ever-rising demand for the services of the truck.

To meet the threat of dwindling membership, industrial unions are now organizing crafts, or at the very least recognizing crafts among their current members. In the UAW, the last contract won special pay rises for such skilled members as tool-and-die men. In New York City, the Transit Workers Union had to make unusual provision for such comparative aristocrats as the subway motorman or see their organization splintered.

Union leaders have also had to accustom themselves to the idea that their newer members are a different breed from the depression-scarred dues-payers that they had leaned on. Younger workers aren't so concerned about seniority; sometimes they prefer ability as a test of survival in a job. They are better educated than their fathers, inclined to feel—as did the solid turn-of-the-century craft unions—that they are members of the middle class. And they have all the trappings—cars, houses, college for their children—to convince them that this is so. They live in ever-widening, greenery-trimmed suburbs, next door to the junior executives, rather than in smoky workers' quarters beside the mill.

Will such production workers, a lunchpail in one hand and a checkbook in the other, be more militant than before? Or will they make common cause with management, trading stock-market tips across the bargaining table? The answer will profoundly affect the fortunes of our largest unions. ♦

A BOSS'S BEST FRIEND IS HIS UNIVAC

In spring, young men (grown vague and lazy)
And girls (grown starry-eyed and hazy),
Being human
Lack acumen.

How undistracted, single-minded,
Never mooning, never blinded,
The computer,
Being neuter.

—Richard Armour

TODAY'S CONSUMER—
How He Spends and Saves

By F. Thomas Juster

Condensed from Challenge

WITH almost twice as much real income to spend today as he had in the 1930's, has the American consumer gone off the deep end in his spending habits? The answer seems to be no. Under the agreeable onslaught of a steadily increasing number of available material goods, the consumer has remained remarkably stable.

Rising income levels and an attractive array of new products might be expected to change the consumer's thrift habits. But this has not been the case. He was saving, in liquid form, about 6 per cent of his disposable income in the 1920's; the savings rate from 1951 to 1956 was the same 6 per cent. Thus there is no indication of any lasting change during the entire period in the ratio of consumer liquid savings to income. Changes have, of course, occurred within the major classifications of consumer spending.

Durable goods—especially the so-called "big ticket" items like automobiles and washing machines—have expanded most rapidly. Semi-durables like food, clothing, and tobacco have grown less rapidly, and services such as housing, medical care, and personal services, have grown at about the same rate as the semidurables. Sharply differentiated rates of growth exist within each of these broad categories. Expenditures for automobiles have grown more rapidly than those for furniture and appliances. Food expenditures have grown more rapidly than outlays for clothing.

Three main factors are responsible for these differences. First, as real income increases, the pattern of expenditures undergoes systematic change: expenditures on so-called "necessities" tend to fall as a per cent of income, and expenditures on "luxuries" tend to increase.

The second important factor is the structure of prices. Finally, the needs of consumers change in relative importance, partly because their incomes are rising, partly because new goods

are developed that are more efficient in satisfying wants, and partly because wants may be created social by pressure and the pressure of advertising.

Increased expenditures for durable goods seem to be most clearly related to the simple fact of rising real incomes. People who can afford it buy the leisure or pleasure provided by items like television sets, air conditioners, automatic washers, dishwashing machines, and high-fidelity systems.

An interesting side effect of this increasing emphasis on durable goods is that expenditures involved in their use and maintenance also grow apace. Expenditures for utilities (gas, oil, electricity) and repair services have tended to grow faster than income. On the other hand, expenditures for domestic service, less in demand because of displacement by machines, have tended to fall.

What is the over-all relationship of consumer expenditures, savings, and incomes? This relationship is crucial for the analysis of business cycle movements. If aggregate consumer spending (hence also consumer saving) is tied closely to consumer income and varies only with income, the business cycle forecaster can safely ignore the consumer. If such is not the case, the forecaster ignores the consumer at his peril.

Over the long run, the relationship between spending and income has been rather stable. However, there have been a number of short-run variations in the relationship, so it is not valid to say that the amount of consumer spending depends entirely on the amount of consumer income. Most economists now recognize that changes in consumer spending stem from many significant factors besides consumer income, and that such changes have considerable consequences for the business cycle. Moreover, it seems quite likely that such independent changes will tend to become more important as our society becomes richer.

A brief example will illustrate the critical importance of what may look like a minor fluctuation in the relationship between consumer spending and income. Disposable income has recently been running at the annual rate of some $300 billion. If consumers spend 95 per cent of income and save 5 per cent, they will be spending $285 billion and saving $15 billion. But suppose they spend 93 per cent and save 7 per cent—an apparently inconsequential shift of two percentage points? Consumers would then spend $6 billion less. Such a shift would equal the total decline in business capital spending during the recent recession. Clearly, small shifts in the ratio of consumer spending to income are quite capable of initiating or severely intensifying cyclical expansions or contractions.

During the postwar years, short-run variations in saving have evidently been due to changes in the rate at which families acquired durable goods. When families buy relatively large amounts of durables, they save correspondingly small amounts in liquid form. In effect, durable goods purchases can be said to compete with liquid savings for the consumer dollar.

Thus, in 1946, consumers were saving 7.7 per cent of their disposable income, while spending 10 per cent on durable goods. When the postwar

shortages ended, they began saving much less, reducing the ratio to 2.4 per cent in 1949 before reversing the trend to return to the traditional 6 per cent level. The percentage of income spent on durable goods rose as the savings ratio fell, going to 13.9 per cent in 1950 and then falling to 11.5 per cent in 1954.

This relationship between durable goods purchases and savings is a vital factor in the prediction and control of business cycle movements. If we can achieve the ability to accurately predict future patterns of spending for durable goods, we will have gone a long way toward the control of the business cycle. ♦

Consumer Buying Power—It's in the Cards

THE U.S. is in the midst of an unprecedented credit push. Credit card companies, notably American Express and the Diners' Club, are spending millions in competitive promotion and advertising of their pay-later services. Hotel chains are either linked with these or are promoting their own credit cards, which often can be used for auto rental and many retail purchases as well as for rooms and service. Banks all over the country are setting up credit plans, issuing credit cards, and bringing thousands of small stores into the charge-it fold. Variety stores are rapidly extending their use of credit sales. And large retail stores are intensifying their own credit attractions. Many now grant credit with no more investigation than a look at customers' gasoline or hotel credit cards.

Probably about two out of every five dollars in U.S. retail sales are paid later. Last year, auto sales amounting to $14.2 billion were made on the installment plan, and $11.5 billion worth of other consumer purchases were made on an installment basis. In addition, there were personal installment loans totaling $12.6 billion and repair and modernization loans amounting to $1.6 billion. Much of this borrowed money went for retail goods. The amount outstanding on charge accounts at the end of the year was $5 billion, and the total changed but little during the year. Since charge accounts are paid in an average of slightly less than 60 days, these figures indicate a total of $30 billion was charged during the year.

However, these are only the credit sales recorded by the Federal Reserve. Many credit sales are not included in this data, such as the sales put on tabs by thousands of small establishments, loans among members of families for purchases of goods, money lent by loan sharks, and salary advances made for retail purchases. In addition, some of the $3.5 billion in single payment loans reported by the Federal Reserve probably went for consumer goods.

With these additions, the grand total of credit purchases is probably about $80 billion, or almost half of the total retail sales of $200 billion made during 1958.

—Elmer Roessner in *Business Today* 2/12/59

When a meeting turns out to be a waste of time, the man in charge is usually to blame. Here are seven reasons . . .

Why Meetings Go Wrong

Condensed from Management Record

"WHAT WENT WRONG?" That question plagues a manager who has conducted an unsuccessful meeting. The problem that was to be solved by the meeting remains unsolved. Some members failed to participate. Those who did offered no ideas of their own. The meeting was a total waste of time.

Where did the manager fail? One answer—based on the National Industrial Conference Board's analysis of post-mortem discussions of 700 practice sessions in conference leading—is that he probably fell into at least one of seven common pitfalls:

1. *Inhibiting free, objective discussion.*

What the leader says and how he says it can easily influence the thinking of the group. Leading questions, for example, immediately introduce bias into the discussion. Or the leader may suggest arguments for consideration in such a way as to give the impression that these are his own views on the subject. Undiplomatic statements by the leader can cause hidden antagonisms which tend to inhibit participation. Voice inflection and facial expression often reveal bias.

2. *Keeping the meeting going at top speed.*

Some managers are too impatient when they conduct meetings. They tend to become restless if the meeting does not move at jet speeds, instead of relaxing and letting the mental wheels revolve at their own pace. Because these leaders feel they are failing in their job if someone is not speaking at all times, the slightest lull is their signal to jump in and move the meeting along.

The result is that the leader does too much talking. He comments after each contribution, and his comments are likely to be judgments on the contributions. Or he may throw out leading questions so that he will be sure to get the "right" answers and avoid wasting time on "nonessential" ideas.

Under this pressure, the group will probably give the leader what they think is acceptable to him. The meeting can then be adjourned, everybody can get back to his daily routine, and the leader has the solution he wanted. But the meeting has been a failure because he did not permit the group to think through the problem and give him their own ideas freely.

3. *Excessive use of "direct" questions.*

In general, successful meeting leaders avoid calling on a specific member of the group by name, unless they have a very definite reason for doing so. For the most part, a good leader will ask the group questions, so that

whoever is ready and able can pick up the idea and take it from there.

Some leaders fall into the questionable practice of calling on each member in turn for his comments on a subject. By creating the atmosphere of a schoolroom recitation, they inhibit free expression by the members.

There are, of course, instances in which "direct" questions are called for:

- To bring before the group a particular viewpoint which the leader knows a specific individual is ready to talk about.
- To give a shy member the opportunity to say what he has on his mind.
- To break up a long-winded monologue.
- To stimulate debate when the leader knows a member has views opposed to those just expressed.

4. *Lack of control.*

Although a meeting leader should not inhibit free expression, he must maintain control of the meeting at all times. It is his job to keep the conference moving to a conclusion, to insist that the group stay on the subject, to call the meeting to order when the members become unruly, and even to crack down on an individual who will not cooperate.

If, in his introductory, stage-setting remarks, the leader defines the objectives of the meeting and the problem itself in clear and precise terms, the members will know exactly what is to be done. When the objective is misunderstood or the limits of the discussion are not clear-cut, mental wandering, inattention, and confusion are almost inevitable.

In brief, the leader can exercise control by knowing the purpose of the meeting and how to achieve it, by communicating this knowledge effectively to the group, by his obvious self-confidence, and by insisting that the members follow an orderly and disciplined procedure.

5. *Lack of preparation.*

There are some experienced leaders who believe they can conduct a successful discussion whether they know anything about the subject or not. In actual practice, it is a great deal easier for the leader when he has a good working knowledge of the problem in all its aspects.

In preparing for the conference, he will find it helpful to think through the problem for himself. It can be a good idea to have a "dry run" with one or two associates before the meeting. This will brief the leader on all aspects of the issue so that he will be aware of the arguments likely to come up for and against a proposed line of action.

6. *Embarrassing an inattentive member.*

Occasionally, a meeting leader may be faced with the problem of a member who is obviously inattentive. The leader may feel that he must bring the member up sharp with an appropriate rebuke. However, this will embarrass the daydreaming member to the point where he will be much too emotionally disturbed to contribute anything to the discussion.

A better approach might be to say something like, "Ralph, Joe has been telling us that our new experimental machine is a dud because it takes two workers to feed in raw materials. We know you were in on the design of this equipment, and we'd like your

comments on the manpower problem."

With this constructive approach, the leader will gain prestige by having established a more positive atmosphere for a profitable conference.

7. *Failure to organize and record the group's thinking visually.*

It is not easy for group members to keep in mind all the facts and opinions that are being presented during a meeting. Yet there are many leaders who make no attempt to visualize the progress of the discussion for the group. Consequently, these meetings flounder, much time is lost through needless repetition, and members never know exactly what has been accomplished.

It is the leader's job to record, classify, and organize the thinking of the group visually as the members proceed to a solution of the problem. This can be done with a large blackboard or paper chart. The leader can use the board to summarize each idea as it is presented, so that none are lost in the shuffle. This aid not only reinforces the memory of the members, but helps the leader greatly in his control of the meeting. ♦

Trucks on TV

COMPANIES THAT OPERATE TRUCKS—whether private shippers or common carriers—now realize that speed on the loading dock is just as important as speed on the road. One of the most unusual attempts at achieving this goal is being made at the Yale Transport Corp. terminal in New York, where for the first time closed-circuit television is being used as a substitute for direct management observation of a truck dock.

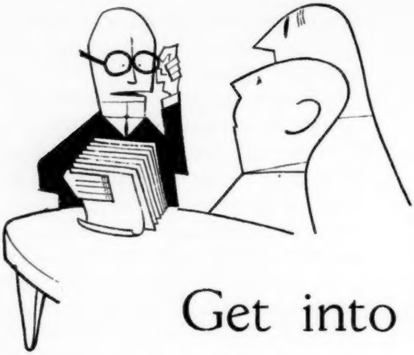
Ten cameras that operate 24 hours a day are spotted around the terminal dock, which handles several hundred trucks a day. The cameras are linked to ten monitors in the terminal offices 250 feet away. Additional cameras not yet installed will provide a view of the surrounding area beyond the loading platform and the actual truck bays. By scanning the yard and the streets approaching the terminal, the company hopes to avoid traffic jams and keep track of incoming vehicles. Yale terminals in other cities are also slated to get TV cameras.

The specific benefits of the new system should be of interest to the 14,000 private companies operating their own truck fleets of 25 or more units. Yale Transport reports that the new system:

- Reduces the time a truck-trailer stands at the dock.
- Provides closer management control of loading and unloading operations, resulting in greater efficiency and safety.
- Protects goods in the loading area while company guards are off duty.

Since the director of terminal operations is able to see both the receiving and dispatching docks at the same time, he can relate the flow of incoming freight to the loading capacities of the outgoing areas. He sees quickly when a trailer is loaded, when an empty trailer is ready to come back in, and when more men are needed at one point and fewer at another.

—Thomas Kenny in *Dun's Review and Modern Industry* 2/59



Sociologists Get into the Act

Condensed from Business Week

BUSINESS is turning to sociologists for answers to some of its problems these days. Industrial sociology is a rapidly growing field, making up for the fact that sociologists have lagged behind economists and psychologists in their invasion of the business world.

What do the sociologists have to offer that business can't get from the economists or the psychologists? The sociologists' specialty is the study not of man as an individual but of the way he behaves in groups, and the forms and functions of the groups themselves. And their particular contribution to business is just that—their knowledge of how groups act and how they differ from one another.

Economists, for example, chart the buying power of consumer groups; sociologists delve into their value patterns—the things that make various consumer types—urban or rural, upper or lower bracket, white or blue collar—responsive or hostile to certain products or appeals. Pajama makers, for example, learned from a study by the Bureau of Applied Social Research that the kind of virile styling that sold high-priced outfits in men's stores didn't go over well in middle-priced lines, where women do the buying in department stores.

No one is willing to guess just how many of the 6,000-plus sociologists in the U.S. today are regular corporate employees, but the American Sociological Society has just launched a study to find the answer. In 1950, 5 per cent of its members worked for industry. Since then, the society is sure, the percentage "has been growing greatly—but we don't know just how much."

Nor will anyone estimate how much business spends on social research, on its own and through grants to universities, beyond the guess that the total "runs into millions." But here's one indicator: In six years of collecting funds for sociological research, the Foundation for Research on Human Behavior has rounded up $226,000 from 27 companies, including Detroit Edison Co., Alumi-

num Co. of America, and Federated Department Stores, Inc. And these 27 have promised regular annual gifts.

On occasion, businessmen have turned to the sociologist in desperation, as a last resort when nobody else could come up with the right answer. A dictation-machine maker, for example, wanted to find out why it was having a tough time breaking into big companies. Social researchers turned up this answer: Secretaries feared the machines would turn them into little more than pool typists, with no direct contact with the boss; and the boss felt that dictating to his own secretary was a desirable symbol of status.

Usually, though, the sociologizing is more in the nature of a forward look to see how things can be improved. In some corporate circles it has become a fashion, and there the sociologists can carve out their own projects. Most of the work contracted out to universities is more general in application, not aimed at finding some specific cure.

For instance, two Iowa State College sociologists charted the pattern of adoption for new farm products—the kind of people most receptive to innovation and those who would wait longest, where they got their information, how long they were likely to wait. Eli Lilly & Co used their findings to map a campaign for a new hormone feed additive for beef cattle. It made no special appeal to the self-starters who go looking for new products at experimental stations, but directed its first farm magazine campaign at the middle-of-the-roaders, and delayed until a year later its local farm paper campaign aimed at the bulk of the prospects. Sales each year have come within 2 per cent of predicted figures.

The social researchers have put employees as well as consumers under their microscopes. Companies sending employees overseas have called in anthropologists to brief them on local customs and traditions—to avoid such missteps as chucking an Iranian baby under the chin and thus, according to superstition, putting an evil curse on him.

At home, Esso Standard Oil Co. runs training sessions, based on National Training Laboratories techniques, to teach supervisors about group dynamics. Men are brought together—say, at a dude ranch—with little advance briefing on what it's all about. As they begin to interact, choose leaders, and decide what to do, the training leader points out how the group has made decisions and how various members have influenced it. The idea is to develop more effective group members—important in this committee-run company.

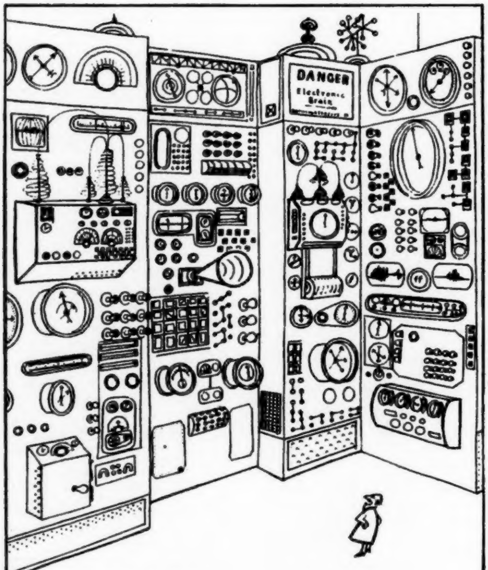
In other companies, sociologists have looked at internal communications, tracing how a rumor spreads through a plant, for instance; or have tried to determine the corporate climate that best fosters creativity; or have "typed" company stockholders so management can reach them more effectively.

At times, the sociologists just report their findings and leave it up to the company to decide what to do about them. But frequently businessmen do get a specific answer about what to do—the pajama makers, for example, got and accepted a sugges-

tion to make colors "bright but not too loud." The worried dictation-machine maker got one, too—to set up a "training institute" for girls getting dictation machines—but turned it down.

With sociology getting a business reputation, tomorrow's businessmen themselves are likely to come to their jobs with more training in the subject. Business schools are getting on the band wagon, putting more social studies into their curricula.

Independent social researchers, too, are becoming more interested in business. The American Sociological Society currently lists 115 research projects going on in industrial sociology—up from 84 four years ago. Its September meeting will probably have twice as many papers on the subject as there were only five years ago. ♦



"What d'you mean—obvious to the meanest intelligence?"

Those Delicious *GROWTH STOCKS*

By William B. Harris

Condensed from Fortune

A GLANCE at some of the advertisements on the financial pages makes it clear that it is absurdly easy these days to make a lot of money. Thirty-five-dollar-a-week waiters build a $160,000 portfolio. Sixty-five-dollar-a-week teachers realize enough to donate $1 million to charity. All that is necessary is to get into "rapid-growth stocks presently overlooked by the public, yet offering substantial hidden value now and virtually unlimted growth prospects for the future." Such opportunities are everywhere; one ad stated that 52 stocks are "headed for earning gains of 40 to 180 per cent in 1959." Special "introductory offers" make it possible to get the names of these growth stocks by the simple expedient of filling out a coupon and mailing in a couple of dollars. Etc., etc.

Now the fact is that a man *can* make a fortune in the stock market, as he always could if he was smart enough, or lucky enough, and lots of people are making money today. The investment need not be big. As pointed out by one mail-order "investment counselor," $375 invested in Electronic Associates would have soared to $6,100 in less than five years. And as the quotations show, Avon Products common, which could have been bought at $33 two years ago, is selling at about $100. Thiokol, which could have been bought for $15 in 1954, has sold as high as $150 this year.

The key word, of course, is "growth." The difficulty is that many of the people talking about growth stocks, including a lot of customer's men, have no very precise idea what they mean by the term—it is simply the fashionable way of speaking of stocks that, they hope, are going up. Even among the most studious professional investors there is no agreed definition of a growth stock. A considerable body of "growth theory" is building up, however.

One of the problems, of course, is to distinguish long-term growth factors from the spot situations that can give a stock a few months (or days) of glory. An impending price rise, a surprisingly good quarterly report, a big government contract, rumors of mergers or stock splits—any of these can give a stock a lively ride in today's market without necessarily connoting a basic growth trend. Then there is the fact that a company can be situated in a growth industry, and even have a large place in that industry, but not itself qualify as a growth company. The corollary, of course, is that there can be highly promising individual growth situations

within generally mature industries. But the most difficult distinction of all has to do with timing. It is easy enough to point out stocks that have *been* growth stocks, but some of these may now be approaching maturity while other companies with drab market records may be about to enter a growth phase. The stock of one of the greatest of all growth companies, A.T.&T., has only within the past six months begun to behave as a growth stock should.

A minimum definition of a growth corporation, which is about all the professionals can agree on, is a corporation whose *earnings per share* have shown an annual rate of increase, over several years, of more than 4 per cent (in constant dollars) or 6.5 per cent (in current dollars), which is about the annual growth rate of the U.S. economy during the postwar period, and a corporation that isn't doing better than that is, for an investor's purposes, simply standing still.

But Wall Street is looking for stocks in companies that show an increase of earnings of at least 8 to 10 per cent, which will double a company's profit in nine to seven years. There are many companies that can show such a record over the past few years, but what the growth-stock man searches hardest for are companies like IBM, which on an annual growth rate of over 16 per cent (over the past 12 years) nearly doubles profits every four years. And any Wall Streeter would be pleased to discover "another Polaroid." If Polaroid's growth rate of 42 per cent (over the past eight years) could be sustained, per-share earnings would double in about 23 months. Of course, that kind of thing can't go on indefinitely, or eventually (A.D. 2090 or so) there would be no room for any other corporations in the U.S., and presumably Antitrust and others might object.

It might appear that choosing growth stocks shouldn't be too difficult: just choose stocks that are growing a lot faster than the economy and get aboard. But it would be well to study the problem a bit further. In fact there are at least nine measurements to be applied to a stock suspected of being a growth stock. The list that follows is *Fortune's* summation of a variety of measurements supplied by some of Wall Street's and State Street's top growth-stock specialists. These experts do not expect any one company to meet each of these nine requirements, and they would argue among themselves as to which are the more important, but they would agree that each is a desirable attribute of a growth company:

1. The company should have had at least a three-year history of growth; otherwise the investment may be in a cyclical situation or completely speculative.

2. Although growth companies can be found in mature industries, they are usually found in growth industries —i.e., industries that are growing at a faster rate than the national economy and appear to be capable of sustaining such growth.

3. Over good years and bad for U.S. business as a whole, a growth company's earnings should increase at a rate of at least 8 to 10 per cent a year. In the face of a general business downturn, the company's earnings

should be stable. Earnings on incremental capital (money that is brought into the structure in any form) should be at least equal to earnings on existing capital. Reasonable allowances in this requirement can be made for change in rate due to changes in product mix.

4. The closer to the consumer a company's products are, the better.

5. The company should occupy a top position in its market; its research, production, and merchandising methods should indicate that it will be able to hold this position.

6. If it hasn't yet paid any dividends, there should be an indication that it will begin to pay them in two or three years. Although dividends from growth companies are small when related to earnings (because growth companies always retain a major part of earnings), they should increase along with the increases in earnings.

7. The company's capital, bolstered either by a heavy cash flow (retained earnings plus depreciation) or by the use of credit, should be adequate to support the rate of growth with a minimum of dilution in the shareholder's equity.

8. Management must be alert, imaginative, and in sufficient depth so that changes will have no adverse effect on the company.

9. The size of the company should be considered in relation to its market. Very large size usually represents a high degree of maturity. ♦

Pay for Jury Duty: A Survey of Company Practices

MANY COMPANIES are now making it possible for their workers to perform jury duty without personal loss, the National Industrial Conference Board reports after surveying 363 companies on their compensation practices when supervisory employees are summoned as jurors. This latest report supplements an NICB study made earlier of compensation practices for nonsupervisory workers who are called for jury duty.

Of the 363 companies in the new survey, 302 have a specific plan for guarding supervisors against financial loss while they are serving as jurors. The NICB notes that some of the remaining 61 companies may actually pay their supervisors for the time they serve as jurors without regarding this as a formal procedure. Others may have a general leave program for executives that covers absences for this purpose. A few companies say they have not developed a plan for compensating supervisors absent on jury duty because "the situation has never arisen."

The earlier NICB survey, covering nonsupervisory employees, revealed that almost 53 per cent of the hourly employees in 276 companies and 86 per cent of the salaried employees in 287 companies lost no income while they served as jurors. As a rule, jury fees received by hourly employees were deducted from their regular pay, but salaried employees more often were permitted to keep the fees in addition to their normal pay.

This practical approach provides a solid basis for negotiating wage increases when bargaining time arrives . . .

Establishing Sound Wage Levels

By Dale D. McConkey and Robert J. Lynch

Condensed from Personnel Journal

THE ECONOMY is heading into another year of important collective bargaining. What criteria should a company use to determine how much—if anything—it should grant in wage increases in the new contract? What criteria should it avoid using?

There are a number of widely used criteria that a company would be wise to shun:

Settlement trends. A union will frequently enter negotiations armed with voluminous statistics on the national, industry, and area trends of recent contract settlements. The union will demand a settlement based on these trends, and a natural tendency to go along with the majority may lead a company to acquiesce.

Actually, recent settlements by companies outside of one's own area and industry are irrelevant, and even within the same area or industry they are meaningless without a knowledge of the particular company's relative position prior to the trend.

Ability to pay. Unions often use a favorable annual report to bolster their argument that a company should grant a sizable increase. Sometimes management uses an unfavorable report to argue for a settlement lower than the general trend.

However, basing a contract settlement on the company's current financial position is shortsighted. The employer's current ability to pay can be quickly dissipated by unforeseen developments, such as a sharp increase in costs.

Cost of living. There is evidence that cost-of-living increases—which are supposed to boost consumer purchasing power—actually cut purchasing power by feeding inflation. The negotiator who agrees to a cost-of-living increase not only is raising his company's costs at the moment, but is laying the foundation for still further increases in the future. Moreover, there are some companies that cannot raise their selling prices to match an increase in living costs. A settlement based on cost-of-living increases would boost their manufacturing costs, but they would have no recourse to higher selling prices.

Productivity. Here is one of the most enticing criteria for bargaining. What company, especially if it has ever expounded the virtues of wage incentives, can refute the argument that employees should be paid more for producing more?

The rub is that it is extremely difficult to determine how much of

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the increased productivity is due to employee effort and skill, and how much is the result of such factors as equipment investment.

If none of these criteria is to be depended upon, what valid standards are there? There is one against which a company can properly measure the fairness of its wage rates: competitive position. Can a company keep its costs in line with those of its competitors so that its selling price can be competitive?

A company competes in two areas: with other companies making and selling the same product and with other companies for the services of the best employees in the area.

To remain solvent and improve its position, a company must establish a workable balance between the wage costs of its market competitors and the wage levels of the companies with which it is competing for employee services. The ideal situation, of course, would be to have a wage structure higher than that of the area but below that of competitors.

If a company is in an area where wages are higher than those paid by its product competitors, it has to make a choice. It can set its wage levels in line with the area rates, so that it can compete for the best employees. However, it will then have the disadvantage of being saddled with higher wage costs than its product competitors have. It must make up the loss in other ways—making the product line more salable, making operations more efficient, improving marketing procedures, etc.

If the cost disadvantage cannot be made up through such methods, however, the wiser course would be to maintain wage levels in line with those of the product competitors and try to attract superior employees with better working conditions, better personnel practices, etc.

In order to establish a sound balance, it is necessary to have complete, accurate statistics on the wage levels of product competitors and on those of labor competitors. There should be no skimping of care and time in making these wage surveys. Too often, valuable time and administrative cost have been wasted because surveys were not selective enough, were not inclusive enough, were conducted carelessly, or were not evaluated properly.

Once the survey data has been thoroughly evaluated, two wage curves can be plotted: one for the labor competitors and the other for the product competitors. A third curve, of the company's present wage levels, can then be sketched in to determine its relative position.

The next step is a detailed study of the past bargaining patterns of both types of competitors, in order to estimate what their probable wage levels will be after their next contract settlement. The company can now plot its own "ideal" wage curve. The position of this curve, in relation to the curves of competitors, depends on an extremely careful and competent appraisal of a great many elements. For example, if the company already employs the cream of qualified employees in the area, their length of service and the seniority practices of other companies in the area would have considerable bearing on the necessity for having one's wage curve close to the area curve. Similarly, the

proportion of wage costs to total costs will influence a decision as to the position of one's curve in relation to that of product competitors.

If there is a wide difference between the company's "ideal" wage curve and its present curve, it may be feasible to establish intermediate goals and attain the optimum curve gradually. Whatever the decision, this approach to establishing sound wage levels will give a company a solid basis on which to negotiate when bargaining time arrives. ♦

The Profit Picture in '58

THE RECESSION TOOK A SEVERE BITE out of 1958 corporate profits. Annual reports of 3,574 companies show combined net income after taxes of $17.5 billion, a decrease of 10 per cent from the preceding year. There were lower net income totals in the fields of manufacturing, mining, and transportation, increases in public utilities and finance, and little change in trade.

Over-all results for the year were helped greatly by the pickup in sales and the rebound in earnings toward the end of the year. For example, in the manufacturing field fourth-quarter earnings were 33 per cent above the third quarter and 13 per cent above the final quarter of 1957.

Last year's net income after taxes of the reporting corporations, other than those in banking and finance, represented an over-all average net profit margin of 5.5 per cent on total sales or revenues. This was narrower than the 6.1 per cent average margin realized in 1957 and also below the 6.4 per cent average for the postwar decade 1946-55. Reflecting the influence of the recession, 42 of the 65 major industry groups experienced lower income.

On the book net assets (also called "net worth" or "capital and surplus" or "shareholders' equity"), which aggregated $195 billion at the beginning of 1958, the year's net income represented an average return of 9 per cent. Only 11 of the major groups had higher rates of return last year than in 1957, against 54 groups with lower rates.

In the manufacturing industries, which make up more than half the reporting total in numbers and dollar amounts, reports from 1,852 companies show combined net income after taxes down 18 per cent. Although larger dollar sales were billed by 40 per cent of the reporting companies, increases in net income were realized by only 36 per cent. In 1957, there were deficits reported by 121 manufacturers totaling $93 million, while in 1958 the number of deficits rose to 197, with losses of $146 million.

In 1958 the average net profit margin of these manufacturing companies was 5.2 per cent on sales and other income, against 5.9 in 1957. Last year's margin was also below the 6.5 per cent average for the postwar decade 1946-55.

Rate of return on book net assets or shareholders' equity was 9.8 per cent, against 12.9 in 1957. Last year's return was the lowest since 1945.

—*First National City Bank Monthly Letter* 4/59

The SUPER BUSINESS of SUPERMARKETS

By Sidney Margolius

Condensed from The New York Times Magazine

TODAY, as in the recent case of Soviet Deputy Premier Anastas Mikoyan, one of the first sightseeing stops for prominent foreign visitors is a big new supermarket near Washington. To the rest of the world, the supermarket has become a gaudy symbol of American life, gawked at in wonderment—and some bewilderment, too—until its appeal inspires imitation.

What many foreign patrons of the new supermarkets may not realize, however, is that a scheme that is so dazzlingly new to them is fairly new to the United States as well. The American way of life they are imitating is something quite different from the American way of life of only a few decades ago. The rapid disappearance of the old-fashioned grocery store has meant revolutionary changes in both the kitchen and the community.

It was only in 1930 that the first supermarket appeared. By 1936, there were 1,200 of the big self-service stores. Today, 21,000 boast the half-million-dollar-a-year volume that rates the "supermarket" tag. Two hundred million Americans are exposed each week to the 6,000 items —sometimes 8,000—carried by a big supermarket (compared with the 500 to 600 items in the old-fashioned grocery store). More people are exposed to supermarkets than to schools, churches, movies, or any

other influence except newspapers and TV.

Now commanding 60 per cent of the food business, the supermarkets are also elbowing into other large retail fields. Most supers sell beauty aids, housewares, hosiery, magazines and books, hardware, toys, phonograph records, garden supplies, and stationery. An increasing number sell clothes, greeting cards, flowers, and electrical appliances.

Supermarkets are the largest distributors of cigarettes, sell two-thirds of all toothpaste, and in the past eight years have captured 50 per cent of the cosmetics business.

The up-to-the-minute supermarket has electronic doors, wide aisles, "kiddie korrals" with trained nurses, piped-in music, free hot coffee on cold days, free air conditioning on hot days, carry-out boys, and sometimes a conveyor belt to deliver the goods to bigger and bigger parking lots.

The revolution in merchandising, of which the supermarket is the glittering symbol, is inseparable from the revolution in the merchandise itself—more and more of it is pre-prepared and packaged—and in the kitchen—the big refrigerator and home freezer have become standard household items.

In the 20 years of the supermarket's greatest growth, the use of canned, cooked meats has increased about 9 times, of frozen fruits about 8, of prepared baby foods about 42 times. Consumption of cooked specialties, such as frozen fish sticks, beef and poultry pies, frozen potato products, similarly have jumped. Merely among frozen foods sold in supers, there are now more than 170 different partly or fully cooked dishes, from chitterlings to sukiyaki.

The average shopper in one of these impersonal marts is as different from her grandmother or mother as the store itself is different from that of an earlier day. Above all, she is an impulse buyer. Constant exposure to an immense variety of goods has resulted in families no longer planning purchases as they used to. One survey found that only one of five supermarket shoppers had a complete written shopping list.

Now that shoppers have surrendered their lists, the supermarkets have developed great skill in guiding their choices. Although an impulse buyer turned loose in a self-service store can sell herself far more goods than could the most efficient clerk, it is impossible for her to see each of 6,000 items in twenty or twenty-five minutes. So she sees those the store wants her to see. The supermarket can boost the sale of any item by the way it is displayed.

In the process of picking up her own groceries the housewife also inevitably picks up the tab for the rising costs incurred by the food industry all the way from farm to shelf.

In the early days of pineboard shelves, King Kullen and other price-wreckers required a margin of only 10 to 12 cents of the shopper's dollar. Elaborate modern supers—it costs a million dollars to open one, and a new one becomes obsolete in just seven years—cannot subsist even on the 16 cents that was standard in the 1940's. Now they require 18 or 19 cents.

However, the supermarkets claim that their methods of purchasing and

selling still save shoppers a dime on a dollar on the same foods, as compared with the margin of 26 to 30 cents required by small groceries before the supers came along. But we no longer buy the same foods.

A housewife who buys packaged shredded coleslaw may save a dime on the dollar at the supermarket as against the old grocery store—but she pays two-and-a-half times more than if she shredded the cabbage herself. Frozen potato products have become leading supermarket sellers; a housewife who pays 15 cents for four potato puffs actually spends 20 cents a pound for her potatoes, compared with around 5 cents for raw potatoes. A family that buys packaged chicken parts in the supermarket really pays 70 per cent more for edible meat from drumsticks or breasts than from a whole broiler.

Thus the housewife's own shopping habits account for the fact that, while food prices have risen, food spending has risen even faster. Despite the late recession, food-store sales increased about 9 per cent in 1958, according to Robert Bingham of the Grocery Manufacturers of America. This boom occurred in the face of lower demand for other consumer goods, notably automobiles. The public easily could have cut back on purchases of the costlier factory-cooked foods. But the housewife, buying built-in service at the supermarket, chose convenience in the kitchen over tailfins in the garage.

There seems to be no doubt that the supermarket's easy-to-buy, easy-to-store, easy-to-prepare foods have brought about a permanent change in family life. Sociologists who studied "Crestwood Heights," a typical but anonymous suburb, found that the trend away from home preparation of food is not only moving mother out of the kitchen but the whole family out of the home and into other activities. Children, too, now participate much less in the work of the home than they used to.

Some communities, like Chappaqua and Bedford Village in Westchester County, N.Y., cherishing their village character, have bitterly resisted the entry of supermarkets, fighting back with zoning ordinances and public petitions. More often than not, the fight fails. There are still some 200,000 mom-and-pop food stores in the United States, but they have retained only 6 per cent of the grocery business and they are perishing at the rate of 6,000 a year.

Recognizing that a major disadvantage of the super is the growing problem of how to buy a few groceries without traveling several miles, the chains are moving into the small-grocery void with neighborhood "bantam" stores. The bantams have narrower aisles, smaller carts, and carry only a thousand or so items compared with the five or six thousand in the big supers.

If these trends continue, as is likely, the food shopping pattern of the future is clear: Once a week the housewife (or her husband) will go to a big, regional, semi-department-store kind of super, as far as 20 miles from home, to do the major shopping; between times she will fill in at the nearest bantam. At both points she will be dealing not with an independent merchant but with an agency of an integrated food company. ♦

The High Cost of INDUSTRIAL NOISE

Noise is expensive—not only because it reduces efficiency and causes accidents, but because employers can be held liable for hearing injuries to their workers . . .

By Ellis B. Singer and Sam Posen

Condensed from American Machinist

INDUSTRIAL NOISE is no mere nuisance. It can reduce worker efficiency, cause accidents, and damage hearing. And employers are becoming increasingly liable for injuries caused to employees' hearing by industrial noise. Here are but three indications of this mounting liability:

- In one state, the average compromise settlement for hearing loss is $2,250—paid out in workmen's compensation insurance.
- New York and Wisconsin have recognized, defined, and made compensable hearing loss induced by industrial noise.
- In New York state, the employer must prove, according to one interpretation of law, that a hearing loss was *not* caused by industrial noise—which relieves the plaintiff of the burden of proof.

Physical injury and sudden unusual noises that cause hearing loss are old industrial problems—and well covered by insurance and compensation laws. The type of hearing loss that is causing concern today accumulates over the years because of average or slightly-worse-than-average industrial noise levels.

A rule of thumb is that noise levels below 85 decibels (db) are safe for average workers, but a level of 85-100 db may cause injury over a long period of time. Here are some standards of comparison: 50-60 db is the level in a kitchen or office; 100 db is the level in an express subway train; and 130 db may actually cause pain.

In a machine shop, the usual noise levels range from a low of 80 db for automatic lathes to a high of 130 db for a pneumatic riveting hammer being used on a steel tank. These are the average levels found where an operator's ear is normally located. Here are some average over-all noise levels in general shop areas: shop with lathes, presses—80-90 db; automatic screw machine section—90-100 db; electric furnace—110-120 db.

The industrial noise problem can be handled if the proper precautions are taken. A worker's hearing ability should be measured when he is first hired, then later at periodic intervals. If he shows susceptibility to noise, he can be moved to a quieter job or be required to wear earplugs in noisy

American Machinist (February 23, 1959), © *1959 by McGraw-Hill Publishing Co., Inc.*

locations. Records should be kept of the noise levels in different areas of the plant, and of each worker's exposure to these levels.

How do you determine if noise levels are too high? If you can carry on a normal conversation anywhere in the plant, there is obviously no problem. But if shouting is necessary in some areas, a check should be made with instruments.

General noise can be tested with a sound-level meter, with the microphone placed approximately where a worker's ear would be located. This provides an indication of over-all noise level at all frequencies. A more specific test can be made with an octave-band analyzer, which indicates the noise level at various frequency bands. It is known that noise levels above 85 db in the bands from 300-600 and 600-1200 cycles per second are most likely to cause ear damage. If the level in either band is above 95 db, a hearing-conservation program is called for.

Records should be kept of these test readings to provide factual information for a noise-reduction program, to be incorporated into job descriptions, and to provide evidence in case of litigation. A recommended records system is the data-card and IBM code prepared by the research center of the Subcommittee on Noise in Industry (Dr. Aram Glorig, director, 111 North Bonnie Brae Street, Los Angeles 25, Calif.).

The best answer to the noise problem is to prevent it. When a new operation is planned, pick the least noisy method of production. And choose the least noisy machine over others of the same type.

Resilient floor mounts are recommended to prevent walls, floors, and building members from acting as sounding boards. These mounts are more easily applied to concrete floors than to wood, however. Mufflers can be applied to equipment that discharges air, gas, or steam. Machine housings and panels can be coated inside with asphalt or some other damping material.

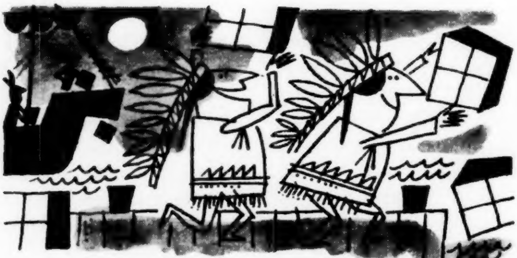
Good machine maintenance reduces noise, too. Proper lubrication, clearance adjustment, tight metal panels and guards, and rubber wheels instead of metal all reduce noise. And acoustic treatment with acoustic tile, baffles, and shields reduces noise that travels through the air.

Finally, ear protectors may be necessary. At 4000 cps, ear plugs reduce noise about 30 db, ear muffs reduce it 45 db, and the combination cuts noise over 50 db. In extreme cases, such equipment may be required as part of the job. Although sound isolation—with resilient machine mounts, baffles, acoustic tile, etc.—is effective in reducing over-all noise, an operator who must work close to a noisy machine is not protected from the noise right next to his ear.

Hearing tests can be incorporated into general medical examinations of new workers at little extra cost. The audiometer can also be employed for periodic retesting to catch possible ear trouble developed on the job. With a pure-tone audiometer, the medical department can check the threshold of hearing, test response to tones of any pitch, and check left-ear versus right-ear response. Audiogram records of the results provide data for comparisons later, if needed.

An initial threshold test takes five to ten minutes, but rechecks may be made with a screening method that only requires a minute or two. The recheck requires only a yes or no answer when specific sounds at certain levels are heard through the audiometer.

Audio tests should be given only by qualified personnel—a trained plant nurse can usually learn the technique. The necessary equipment costs about $300. Specially built audiometric rooms are recommended to establish a controlled environment, but a quiet room may suffice unless a physician seeks quantitative results or legal evidence is required. ♦



HISTORY

In seventeen hundred and seventy-six
A group of American mavericks
Renounced a yoke of tyranny—
The tax on stamps, the tax on tea.

Our fathers felt that we were fit
To tax ourselves and you'll admit
We have been very good at it.

—HOWARD DIETZ

How to Get Along OVERSEAS

By Clarence B. Randall

Condensed from The Atlantic

The striking new thing about the evolving foreign economic policy of the United States is that American free enterprise is rapidly entering the field of diplomacy. For better or for worse, the private dollar and the public dollar are carrying the flag together.

Some fine American companies are making important new friendships overseas for our country—warm and enthusiastic friendships that reflect great credit upon our way of life, and that no ambassador or consul, however capable, could possibly duplicate. But sometimes, unhappily, ineptitude in corporate management creates friction that no professional diplomat can fully offset or overcome. In fact, upon occasion the success of our foreign policy in a particular area can be blighted by unenlightened management in an individual American company and by its insensitivity to the national interest in daily decisions.

In undeveloped countries, a difficult set of problems has to be faced. There the concept of private enterprise for production not only may have no established tradition but may be directly antagonistic to the political ambitions of the new leadership. The eager young leaders in the underdeveloped areas have little desire to share with anyone, least of all foreigners, the responsibility for improving the lot of their people. They are swayed by those who say that while the United States is undoubtedly a great country, a new nation cannot wait for the evolutionary process of private initiative but should follow instead the short-cut methods of the Soviets. The warning that this involves loss of personal freedom falls on deaf ears. Yet such leaders are usually highly intelligent, and their attitudes can be changed if their experience with American private enterprise is favorable.

When a big American corporation, with plenty of capital to spend on a new project that promises handsome dividends, turns its engineers loose in such an area, danger lurks on every hand. Clumsy handling of local situations can damage our international relationships to a degree that is sometimes frightening. You can bulldoze a jungle or a desert, but you cannot bulldoze people.

Success for such a project lies in creating from the beginning a sense of partnership. Everyone from the chief of state to the humblest mem-

ber of the smallest village in the area must be made to feel that the undertaking is good for the country and good for its people, as well as for the company. And actions speak much louder than words. In a tropical jungle you cannot take full-page advertisements in a local paper to explain the corporation's purposes; first, because there probably is no newspaper, and second, because if there were, the men and women of the village could not read it. And you cannot go about handing out slick brochures prepared by the public relations department. But the most illiterate people know what a better house is, and a school, and a hospital, and are moved to friendship by them —provided the houses and the schools and the hospitals are for the people and not just for the company's foreign employees.

The cry of exploitation is at once raised when a U.S. corporation opens operations in an undeveloped country. The "I want to be in" demagogue takes the position that the sacred wealth of the nation, which belongs to all of the people, is being corruptly handed over to the money-mad Americans and that the yoke of colonialism is being replaced by dollar serfdom. None of this escapes the watchful eye of the agents from behind the Iron Curtain, and nationalism soon merges with communism to place new obstacles in the path of private American investment.

The only antidote in such a situation is genuine partnership and immediate and generous sharing with local capital of both the risks and the opportunities of the project. When the American company encourages the participation of financial interests that are respected in the area and known to be friendly, the battle is half won. Our investors acquire not only partners but advocates whose voices will be listened to. They acquire also a built-in protection against subsequent expropriation: seizing the property of Americans is one thing, but seizing the property of those who have had their roots in the area for a long time is not so easily undertaken.

Some worldly-wise American companies are now so sensitive to this circumstance that they will not accept outright control of an enterprise. It is interesting to note, for example, that in the two great mineral projects being planned in French Equatorial Africa by American steel companies, neither corporation insisted upon legal control through majority ownership.

Day-to-day operating management of the project is quite a different matter. That has to be given to the American group, and there is seldom any question about it.

Once committed to the concept of financial partnership, the American company must decide whether to insist that the local capital come from private sources or to consent that it be provided by the state. Here there can well be two opinions. American industry is built on the concept that the welfare of the world in the field of production is best served by private initiative and private responsibility. But we cannot use the power of our dollars to force those in other countries who disagree with us to accept our philosophy. If we try, we might do great harm to our foreign relationships. The joining of state capital

and private capital in a common undertaking may in fact offer a genuine opportunity for free enterprise to prove its worth.

It is the daily management of the operation, however, and not the source of the capital, which determines the effect that the project has upon vital international relationships of the United States. The way that individual Americans behave toward individual residents of the area is the determining factor, and here top management itself must set the tone. The social questions must be studied with the same care as the financial and physical problems, and the same disciplined compliance with high standards must be assured.

However illiterate, however unsuited to industrial employment the worker may be, he is a citizen of the host country, and the judgments which he forms as to the conduct of his employer will in the long run determine whether the enterprise wins or loses. It is just that simple. To raise the color bar against him and practice racial segregation, to slander his religious faith, to treat him in any way as an inferior being—these are the roads to ruin. They are also sure defeat for the purposes of the United States in its effort to resist Soviet encroachment into the uncommitted areas of the world. News travels fast, and the bad reputation of one American company can bring blight to our foreign policy over an enormous area.

Of all the working tools which management has available for the solution of its social problems in an underdeveloped country, none is more important than command of the local language. The accurate communication of ideas is of prime importance. It is absurd to expect the native worker to learn English in order to find out what his job is. Yet it is exceptional in the remote places of the world to find an American businessman or operating official who can speak fluently the language of the people with whom he must deal each day. The Russians are far better at this than we are.

Everyone in the corporation, from the president down, should make it unmistakably clear to the government of the host country and to the humblest person that the company intends to offer advancement to each worker on merit as fast as he qualifies himself. This means not only the lower boss-of-the-gang type of supervision, but the clerical jobs and, ultimately, the positions of trust in the administrative staff.

Finally, management must stand firm in refusing to touch bribery or corruption. To buy its way into a country or out of a difficulty is both morally wrong and politically dangerous. The American who does so not only tarnishes the good name of his country but submits himself to future blackmail from which there will be no escape.

In all of this, private interest and national interest are inseparably interwoven. The time has now come when the corporate citizen must also carry the flag, and the sooner that each corporate management engaged in overseas operations meets its dual responsibility to both the stockholder and the United States, the smoother will the course of our diplomacy become. ♦

Where does the day go? Here are time-saving hints for every executive who has ever asked that question . . .

HOW TO MAKE THE MOST OF YOUR TIME

By Ray Josephs

Condensed from Management Methods

MANY AN EXECUTIVE assiduously applies time-saving methods to company operations—but not to his own job. Shackled to inefficient, time-consuming ways of working, he is constantly harassed and overworked.

What can he do about it? Here is a five-step approach for the executive who wants to organize his time more efficiently:

1. *Define your executive functions.*

Nearly all executive training experts agree that a manager should be able to describe his own job clearly—in writing. Only then can he discern the relative importance of his various functions and the interplay of his assignments with those of his subordinates and superiors.

One of the easiest ways to outline your job is to draw up a job chart with three headings: specific tasks, responsibility and authority, immediate and long-range projects.

The next step in delineating your job is a time analysis of your present activities. This can be made with a daily chart that divides the day into 15-minute segments. Indicate what each time segment is devoted to: routine office activity, planning or supervisory work, outside contact work, and so on. It might be helpful to jot down time used in phone calls, dictation, instructing subordinates, and other time-consuming tasks.

Keeping time charts for about six weeks will give you a clear picture of how you use your time. If you find that less than half of your time is being spent on planning and supervising, you should delegate some of your more routine jobs.

2. *Plan your goals.*

Often, an executive's work load seems heavy because it's poorly planned, loosely scheduled, and filled with trivia. Definite planning of both long-range projects and daily activities can sharply reduce the work load.

However, don't make your goals too ambitious. It's better to set more limited objectives with better chances of accomplishment. The executive who sets his sights too high often feels bitterly frustrated when he can't achieve his goals.

3. *Schedule your day.*

Careful, deliberate scheduling enables you to make the most of your time. The 15-minute time segment charts can be used for this purpose.

Management Methods (April, 1959), © 1959 by Management Magazines, Inc.

Opposite each time, write down a job. If possible, combine two or more tasks. Try to let one assignment lead into the next; it makes for a smoother schedule. Try scheduling your in-office appointments in one block, instead of scattering them throughout the day.

Since all of us work best at different times of the day, you'll have to decide what your optimum period is. Put the unpleasant or difficult jobs in that segment. If you leave them to a later or slower period of your day, you only make them that much more difficult or unpleasant. Try to schedule the largest or hardest jobs for Monday or Tuesday. The chances are that you'll have more free time then, and doing the jobs early gives you the pleasant feeling that the week's "hump" is over.

Varying the types of jobs in your schedule leads to more productivity. Writer Walter Pitkin, for example, often worked on three books at once, shifting from one to another when he found himself bored.

At the end of the day, take ten minutes to go over your schedule for the next day. When you organize the coming day before you leave, you'll have less concern about your office when you get home.

4. *Delegate.*

Most executives can liberate a substantial amount of time by doing more delegating. These four criteria can help you decide what to delegate:

1. Is it a policy item? If so, don't delegate it.

2. Is it repetitive or routine? If so, delegate it.

3. Do your subordinates have the ability and knowledge to make the necessary decisions? If so, delegate it.

4. Can you afford to spend time on this particular item, or are there far more important things for you to work on instead? If there are, delegate it.

The man who delegates too much work is likely to be in the same fix as the man who delegates too little, however. If the executive is continually interrupted by assistants seeking his approval or criticism, his time for creative thinking and planning is seriously cut.

5. *Cut down on time robbers.*

Many busy executives find themselves mired down by telephone calls, reading and writing letters, and interruptions. With a little effort, these time robbers can be turned into time savers.

Here are some often overlooked tips on making your telephone work for instead of against you:

1. Is the call really necessary?

2. Is the phone the best way to get or convey the necessary information?

3. Be specific while talking. Eliminate conversational frills.

4. Be prepared when you call, so that you don't have to waste time looking for information during the call.

5. Call when you're sure you can reach your party.

6. Have your calls screened. Your secretary can say you're out when you don't want interruptions.

7. Make sure you have the best telephone equipment for your requirements.

Letters are also time eaters. Here are some ways to speed your correspondence schedule:

Answer letters as soon as they are received. That gets them out of the way, and they don't pile up. One executive jots down a brief reply on each letter as he reads it. Usually his secretary can answer the letter from the notation. If he should have to dictate the reply himself, he has a reminder in front of him and wastes no time trying to remember what he wanted to say.

Dictating equipment saves time. You can record your thoughts while they are fresh, rather than having to wait until your secretary is free. You don't have to slow down to her shorthand speed or stop for corrections. And, if you have a portable recorder, you can dictate at any time.

Systematize routine correspondence by making prefabricated letters, paragraphs, or phrases. Well conceived, these can sound more natural, correct, and courteous than hastily dictated material. The letter can be freshly typed for each answer, but having the meat of it already written saves both you and your secretary time.

Some interruptions are unavoidable, but you can keep them to a minimum. Systematize as many reports and contacts as possible. If you're not always bothering others on minor matters, they will take the hint and refrain from interrupting you.

Tell your secretary what times you definitely want to be alone, so that she can head off interruptions before they reach you. Discuss and coordinate your time schedule with your associates. Let them know what time you've allotted for your own work and what time for conference.

The executive who knows exactly what the range of his duties is; who plans and schedules his jobs in the most efficient manner possible; who delegates jobs that others can do as well as he; who streamlines his office activity—is the executive who can call his time his own. ♦

All in the Same Boat

WHEN YOU'RE FRUSTRATED, don't feel you're a special victim. If you could take a "frustration survey" you'd find:

Everybody puts time and effort into work which turns out to be useless; runs into several snags on any undertaking; finds his efforts undone by somebody else; gets further delayed when he is already late.

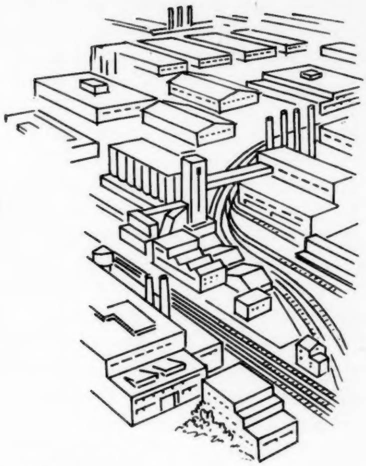
Everybody can't find some indispensable tool or piece of paper when he's all ready to start a project; does a good job for which someone else is rewarded; loses out on something which was almost in the bag.

Everybody finds an apparently simple task difficult to do; often fails to get what he wants; has his best-laid plans fall apart; now and then finds everything just too much for him.

—*Vision*

INDUSTRIAL PARKS:

PACKAGED SITES FOR INDUSTRY



By Kenneth Henry

Condensed from Dun's Review and Modern Industry

BEHIND such fanciful names as Cynosure, Precision Park, Brickbottom Redevelopment, and Joe's Creek, as well as such workday handles as the New England Industrial Center, lies a major postwar development: the growth of the planned industrial district.

The organized industrial district is increasingly becoming a practical answer to industry's search for more growth space, increased utility needs, and frequent desire for more decentralized operations. The rise of these districts in numbers and popularity also reflects, in many cases, a shift of marketing centers, changing distribution needs and patterns, a flight from congested or blighted areas, and such intangible advantages as "a better business climate."

Exactly how many industrial districts are now in operation (partially or fully) or under development in the United States is a difficult figure to pin down. For one thing, there is as yet no unanimous agreement on what an organized or planned industrial district is or what it should include—although some areas of substantial agreement are beginning to emerge.

In a study of organized districts made by the Office of Area Development of the U.S. Department of Commerce in 1954, the planned industrial district was defined as a tract of land subdivided and developed for the use of a community of industries, with streets, rail lead tracks, and utilities installed before sites are sold, and with restrictions and zoning laws provided to protect investments.

Later attempts have been made to modify, extend, or refine this original definition. At the Dartmouth College

Conference on Industrial Parks held last June by Arthur D. Little, Inc., and the New Hampshire State Planning and Development Commission, there was general agreement that continuous management was essential to a bona fide industrial park, that its minimum size might range anywhere from 80 to 500 acres, that it should offer compatibility among industries within the district and the outlying community, and that it should provide complete site readiness.

The growth of the industrial districts has almost tripled since the early 1950's, according to two authoritative surveys. The Commerce Department study in 1954 uncovered 122 qualifying organized industrial districts, while a 1957 survey by the Stanford Research Institute turned up 302 similar districts, 98 of them established since 1955.

With less stringent definitions, estimates of the number of existing districts range much higher. *The 1959 Site Selection Handbook* lists 1,011 districts comprising 25 or more acres. Some of these may, at this stage, be mere real estate promotion.

Industrial districts, to date, have tended to grow fastest in vacant land near cities of phenomenal recent growth, such as Dallas, and in older communities, such as Lowell, Mass., as a community-sponsored effort to rehabilitate a depressed industrial area. According to Theodore K. Pasma, Industrial Location Chief of the Office of Area Development of the U.S. Department of Commerce, the planned districts are most useful in urban areas where good industrial sites are in demand, but where the sites are difficult to assemble or acquire and difficult to preserve against the encroachments of residential and commercial uses.

Organized industrial districts vary considerably, of course, in their services, stage of development, convenience, quality, and charges. They don't pretend to be the answer to all or even most site-selection problems. The advantages an organized industrial district offers to some companies could be drawbacks to others. But a summary of what the districts typically offer—or what may be built-in hazards for some companies—may serve as a guide to management in answering the question, "Should our company consider locating a new plant, warehouse, or laboratory in one of these areas?"

Some industries, regardless of preference, may be barred from entering a planned industrial district by the district's restrictive covenants. Although a few of the districts have been set up to receive heavy industry, most companies which have located in parks are engaged in light manufacturing or assembly operations, distribution, or research.

Generally excluded, by the district's own restrictions, are industries characterized by excessive noise, vibration, odor, noxious gases, smoke, glare, heat, radiation, industrial wastes, fire hazards, and sometimes plain unsightliness—e.g., scrap yards.

And for those businesses welcome in the district, many other restrictions usually prevail as well—restrictions on setbacks, land-use ratios, parking lot ratios, off-street storage, loading and unloading, building height (most often, single-floor layouts), structural building materials, and often land-

scaping and other esthetic requirements. A company contemplating site location in such a district would want to give careful consideration to the restrictions in relation to its own needs and wishes.

Some observers have noted that such requirements, while admittedly protecting and increasing the real estate value, could, when a park is fully occupied, arbitrarily limit a vigorous community's future industrial growth, not to mention the occupant's own. Many companies—and many park managements urge such action in the initial sale or lease—take options on adjoining property or actually buy on the basis of estimated growth needs.

Most of the planned industrial parks offer "site readiness" and a "package" of services with which, necessarily, may also go a higher initial cost. Costs vary widely from district to district, and tend to rise, too, as occupancy in the district increases. At the Dartmouth conference, it was noted that a typical price for industrial park subdivisions was $10,000 an acre, and "that $18,000 an acre was not exceptional for sites with ideal locations in terms of immediate access to major highways and railroads."

Costs may also be influenced by who the district developer is, as well as by variations from area to area and within the district itself as it grows and value is added. Private developers, who accounted for 41 per cent of the districts reported by Stanford, are obviously in business to make a profit, but competitive prices of other land in the area may tend to keep prices in line.

Price concessions may be available more often among the 29 per cent of railroad-sponsored districts and the 17 per cent developed by community organizations, as well as others developed by combination groups. Usually, the railroad develops a district to promote heavier freight usage, and it may provide district space at its own investment cost. On the other hand, the railroad will naturally favor heavy freight users.

Some companies believe that the relatively high initial cost of a site in a planned district is well compensated for by other factors. A spokesman for Sylvania Electric Products, Inc., has said:

"Anyone who has tried to find a suitable location for his company's facilities knows it can be a long-drawn-out, tedious problem. We found this especially true in one large eastern city where there was no available industrial district. It took us well over a year to find a satisfactory site and get it purchased.

"In contrast to this experience, which delayed our project and ran up costs, was the ease with which we have been able to locate in planned industrial districts."

A private developer that has established fourteen "suburban metropolitan districts" in New England and Pennsylvania employs an integrated staff to offer this package plan: site analysis to locate the best possible site for the client; architectural design and engineering of the building to the client's specifications and requirements; construction of the new facilities; and financing "arranged to the client's fiscal policies."

The typical district "service package," including rail drills and spurs, roads, power, water, sewage, and the like, is most often attractive to medium-size or smaller businesses with site-location problems.

"Large national companies," the Federal Reserve Bank of Boston has pointed out, "usually have their own engineers, architects, and location experts to investigate sites, buildings, utilities, and all other problems connected with a new location. Smaller concerns do not have these specialists."

In addition to professional services, some planned industrial districts offer valuable fringe services—some provided by the district itself and others by occupants attracted to the district. Swimming pools, bowling alleys, and other recreational facilities are now operating or planned in some parks. Many parks build an "ever-available building" for smaller users or, presumably, for overflow needs of other occupants. Cafeterias are common, and motels are being built in some parks.

One of the Westbury (N.Y.) Industrial Park's occupants is an electronic data processing center, designed to meet the needs of the park's industrial neighbors, as well as businesses in the outlying community. Pennsylvania's three-year-old, 700-acre Fort Washington Industrial Park is now constructing an industrial medical clinic and also has a management center, offering instruction in electronics, among other things, to employees of district companies. Although they are beyond the stricter definition of a planned industrial district, some developers are planning to adjoin the park's complex with shopping centers and office centers. Service businesses, like banks, also may naturally follow industry into the park.

At present, at least, the industrial districts obviously cannot compete with some cities in cultural advantages, deep-water harbors, and financial centers—unless, of course, they are located at the edge of such a major metropolitan area.

But as a growing industrial trend serving the current and growth needs of some kinds of businesses, the planned or organized industrial district cannot be arbitrarily dismissed. It may become increasingly vital to include it in any expansion planning to meet the potential market opportunities of the 1960's. ♦

BEGINNING NEXT FALL, students at Columbia University's Graduate School of Business will be required to study ethical and philosophical aspects of business subjects. Extensive changes in the curriculum are intended to make students "inquire more deeply into the basic principles underlying modern business practices," according to Dean Courtney C. Brown. These changes, he said, resulted from recognition that a "comprehensive education program was needed . . . to produce balanced and effective members of the business community."

—*The New York Times* 3/9/59

BRIEF SUMMARIES

of other timely articles

GENERAL

THE ECONOMICS OF U.S. FOREIGN POLICY. *Challenge* (475 Fifth Avenue, New York 17, N.Y.), February, 1959. 25 cents. This special issue is devoted to a symposium on U.S. foreign economic policy. Some topics discussed in the articles are: (1) determining foreign economic policy by broad political interests; (2) how much we can afford to spend to promote our foreign policy; (3) communicating the positive aspects of our foreign policy to Latin Americans; (4) making further progress in trade liberalization in Western Europe; (5) reevaluating U.S. policies toward Africa; (6) fictions and realities of our Middle East policy; (7) the inadequacy of private investment alone in developing needy areas overseas; (8) long-run objectives of our world trade; and (9) conflict between special interests and general policies.

THE REACH OF AN EXECUTIVE. By Stahrl Edmunds. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1959. Reprints $1.00. The reach of an executive—his ability to reach down through the management layers to locate problem situations—can be extended if he has more complete, up-to-date data about current operations throughout the enterprise, maintains the author, who describes an effective reporting system, revolving around a 30 to 50-page management data report, now being used by the Ford Division of the Ford Motor Co. He tells how the system aided in the successful introduction of the four-door Thunderbird and in the early prediction of the 1958 recession, and suggests that the executive can effectively increase his span of control by organizing the information system around action-taking individuals who have demonstrated their ability to spot and report trouble areas.

LEASE IT—DON'T BUY IT. By Robert Sheridan. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), April, 1959. Reprints 50 cents. Equipment leasing frees working capital, permits major tax savings, provides a hedge against inflation, and offers a number of other advantages, says the author, who is president of a leasing firm. He explains some of the benefits a company can gain from leasing, and cites some case histories of companies that found it advantageous to lease needed equipment rather than purchase it.

DOES BIG BUSINESS BREED CONFORMITY? *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), March, 1959. 75 cents. We are breeding a race of frightened men guided by their associates' approval, according to one out of five company presidents recently surveyed by *Dun's Review*. In this article, 160 company presidents—three out of four of them heads of companies among the 500 largest U.S. industrial corporations—give their views on the pressures for conformity in big business, the preva-

lence of the organization man in today's business world, and the dangers to American individualism and, more specifically, to executive initiative that are implied by these developments.

THE CHALLENGE OF GROWTH. By Stewart Thompson (P.O. Box 1132, London, Ontario, Canada). *Office Equipment & Methods,* January, 1959. Reprints gratis from the author. Initiating change is the key to company growth, says the author, who discusses some of the attitudes management must have and some that it must discard if it wants to consistently improve its profit position. Warning that long-established companies tend to become fixed and conservative in their thinking, he maintains that a growth company must create its own new markets rather than depend on a growing economy.

INDUSTRIAL RELATIONS

LABOR'S TOP MAN TALKS BACK. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), April, 1959. 75 cents. Given the opportunity, what questions would you like to ask George Meany, president of the 13.5-million-member AFL-CIO? For this interview, members of the *Dun's Review* Presidents' Panel have supplied the questions, and Mr. Meany's answers reveal his views on a variety of pressing labor-management problem issues, including the spread of automation, the shorter work week, corruption in unions, secondary boycotts, and pending labor legislation.

LABOR UNIONS IN THE FREE SOCIETY. By John Davenport. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), April, 1959. $1.25. The revelation of flagrant misuses of power by some unions has raised the broad issue of the role of labor unions in a free society, says the author, pointing out that many businessmen feel that union corruption cannot really be separated from the deeper problem of union power and privilege. Citing some of the sources of union power, such as compulsory membership and immunity from antitrust laws, he argues that stronger legislation is needed.

OFFICE

HOW TO STRETCH YOUR POSTAGE DOLLAR. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), April, 1959. 75 cents. Although they estimate that the recent postal rate increases will hike their mailing costs by some 25 per cent, more than half the respondents to this new survey do not intend to raise their prices, preferring to deal with the problem by taking steps to cut or offset costs through strict economies and improved facilities. This report outlines many of the ways in which U.S. companies are holding the line on mailing costs, among them the mechanization of mail room facilities and the use of less expensive types and classes of mailing.

AUTOMATION SALARY SURVEY. *Office Executive* (1927 Old York Road, Willow Grove, Penna.), March, 1959. 50 cents. Results of a pilot survey conducted by the National Automation Committee of 1,872 data processing jobs in 200 companies, showing the average rates of pay for 23 job classifications, including work scheduling supervisor, staff programer, console operator, data transcribing clerk, operations manager, tape librarian, and coder. Responses are classified by the size of the data processing installation: small ones costing less than $50,000, medium ones between $50,000 and $1,000,000, and large ones more than $1,000,000. Tables.

Please order directly from publishers

PRODUCTION

HOW TO GET READY FOR NUMERICAL CONTROL. By Kenneth G. Wood. *American Machinist* (330 West 42 Street, New York 36, N.Y.), February 23, 1959. 75 cents. A helpful guide for companies planning to operate major machines by numerical control is provided in this article, based on the author's experience with numerical control at Boeing Airplane Co. Stressing willingness to revise normal operating procedures to fit in with numerical control, he presents a plan for installing the system, including such aspects as: (1) gaining company-wide understanding, (2) selecting a specific program tailored to company needs, (3) effectively combining, not eliminating, existing skills to avoid labor relations problems, and (4) providing for in-process inspection.

WHAT INDUSTRY IS SPENDING TODAY FOR MAINTENANCE. *Factory* (330 West 42 Street, New York 36, N.Y.), February, 1959. Reprints 50 cents. A startling $14 billion annual maintenance bill (projected from government statistics) in the manufacturing industry is revealed by this survey of 687 companies, which shows the equivalent of 67⅓ per cent of their net profits going to the cost of maintenance. An extensive tabulation of maintenance costs —shown in figures and in percentages of net sales, cost of goods sold, and gross property—is presented for 5 basic types of manufacturing, 21 major manufacturing groups, and 85 selected industries.

BETTER PLANS COME FROM STUDY OF ANATOMY OF AN ENGINEERING JOB. *Business Week* (330 West 42 Street, New York 36, N.Y.), March 21, 1959. 50 cents. The new method of programing engineering projects described in this article makes use of a diagram model of the critical jobs in the project and includes an analysis of speed-up costs arrived at by applying cost-time formulas with the help of computers and operations research. Du Pont, for which the new method was developed by Remington Rand, expects to save 47 hours of down-time after applying the techniques to the maintenance shutdown of a chemical process unit.

MARKETING

THE GOOD USES OF $750 BILLION. By Gilbert Burck and Todd May. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), April, 1959. $1.25. A 50 per cent increase in U.S. production from the current $475 billion to $750 billion by 1970—a larger growth percentage than in any previous decade —is predicted in this article, which bases its forecast on the growing labor force and a continuing growth rate of 3 per cent for output-per-manhour. In a breakdown of how the productivity pie will be sliced, the article pictures a U.S. of the 1960's which will be able to meet the demands of defense, public service, and capital investment, and still have stupendous quantities of goods and services left for the consumer—barring an unpredictable change in the cold war.

WHAT'S HAPPENING TO SELLING TERMS? By Richard Sanzo. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), February, 1959. 75 cents. There are at least 45 types of open account terms of sale in use, according to this survey of 1,600 companies in 94 manufacturing industries and 75 wholesale trades. Many smaller companies are being squeezed, the article reports, because they are unable to offer as attractive terms as their more strongly financed competitors.

Please order directly from publishers

FINANCIAL

HOW TO ADMINISTER CAPITAL SPENDING. By John B. Matthews, Jr. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1959. Reprints $1.00. The most technically perfect capital expenditure plan is useless if top executives have a strangle hold on it, says the author, who advises delegation of authority permitting some decisions at lower levels, and a program introducing the plan to operating groups. Having evaluated procedures for managing capital expenditure in a dozen firms, he presents features he found desirable, including (1) budget presentations using discounted-cash-flow or present-value analysis, (2) flexibility to permit new projects or changes, (3) results consistent with company goals, (4) performance review of capital investments, and (5) appraisal of individuals who are responsible for making specific decisions.

"A NEW KIND OF STOCK MARKET." By Gilbert Burck. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), March, 1959. $1.25. Confident that there will be no massive decline in earnings in a market that remained strong throughout the 1958 recession, a number of investors are convinced that stocks are as sound an investment as bonds, reports the author. Heading the movement toward stock investment are pension and mutual funds of companies such as General Electric and Bethlehem Steel; some funds are even upgrading once semi-speculative stocks like paper, metals, and railroads to investment status. To those who still favor bonds and maintain that the market is soaring away from reality, stock partisans say that money invested in equities is a hedge against inflation and that despite market fluctuations, the revaluation of stocks is a fact.

FOREIGN OPERATIONS

SIZING UP THE EXPORT PICTURE. By Alexander O. Stanley. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), April, 1959. 75 cents. Tourism, currency convertibility, and an increase in the gold and dollar holdings of foreign countries will help to improve the climate for foreign trade in 1959, the author says, but there are several far-reaching problems that will continue even beyond this year. Among the unpleasant realities of the export picture, he lists higher and rising prices, which make it harder for exporting companies to compete overseas; increasing competition abroad as a result of pending mergers of local companies within the European Common Market, U.S. investment and licensing in foreign countries, and an increase in the number of protected local industries overseas; Soviet and Red Chinese economic warfare; and uneasy markets caused by production imbalances and the churning price levels of commodities on which many companies depend for their economic livelihood.

WORKING ABROAD: A DISCUSSION OF PSYCHOLOGICAL ATTITUDES AND ADAPTATION IN NEW SITUATIONS. (Group for the Advancement of Psychiatry, 104 East 25 Street, New York 10, N.Y.) 50 cents. Exploring the special psychological problems of U.S. employees overseas, this pamphlet notes the predominance of separation anxiety and fear of the unknown—normally acute upon arrival in the foreign country, but cropping up later on if the employees have personal difficulties. The study points out the need for a foreign-service training center and recommends the selection of personnel who have: (1) a deep interest in their work, (2) adaptability to the unknown, (3) the capacity to see situations as others might see them, and (4) mental health.

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The New Look in Business Entertaining

(*Continued from page* 8)

"occasional business lunches that are part of a normal business day," said Western Electric's Vice President G. F. Raymond, must be on an even-exchange basis—or not at all.

CORPORATE GIFTS

What about business gifts? More and more companies are cutting out Christmas giving, and many are refusing to *accept* gifts—actually writing to suppliers and urging them not to press gifts on their employees. Close to one-third of all U.S. companies now specifically frown on presents to their people from outside contacts.

Here again, it's not the cost that counts, but the idea behind it. The traditional bottle of liquor (or gift basket with three or four bottles in some cases) does no harm, and it's not likely to corrupt anybody's morals.

But the question is: Does it do any good? Fewer and fewer companies think so, apparently. This past Christmas seems to have marked a new low in business giving. Like the New York banks that decided to drop the practice of sending cards because they had come to be taken for granted and treated as ordinary circular mail, firms that have stopped giving liquor or hams or other token of esteem have done so because there no longer seems to be any point in it.

In spite of this, there is still plenty of gift-giving to customers, but the evidence indicates that it's done more in fear of losing favor than in a truly voluntary spirit. One survey showed, for instance, that only one company out of 10 approved of such giving; yet six out of ten of these companies actually go along with the practice and give presents to their customers.

BUSINESS GIFTS—ON THE WAY OUT?

This kind of obedience to an established custom may be hard to break, but sooner or later, any habit that is so generally disliked is bound to weaken. Like the old boiled-front dress shirts, it will be tolerated with grumbles for a time but discarded when enough pacesetters show the way.

Indications are that the trend toward breaking with this tradition

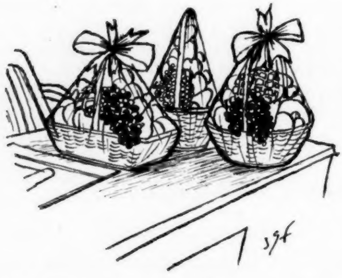
has already begun. Bigger companies are abandoning the practice first, as might be expected. They are confident enough of their place in the industry to risk a radical move—and sure enough that people deal with them for the value of their products, rather than for personal reasons.

Smaller companies, very naturally, are slower to take the risk. But they are being encouraged by the lead of their larger contemporaries—and even more by the fact that so many customers are refusing to let their employees take gifts anyway.

The best rule to follow in the matter of gift-giving seems to be: weigh the pattern in your industry, the past relations you have had with each contact involved, and the kind of impression you want to make on each one. If a few gifts tend to further that impression or at least prevent you from appearing less friendly than your competitors, by all means keep up the practice. Or if your relationship with a few individuals has created a genuine personal friendship, it goes without saying that your past custom should be continued.

GIFTS THAT MEAN SOMETHING

Anything you can do to add variety and originality to your gift may help to give point to it. A big freight trucking company in the south selects one business book each year, often one with an inspirational slant, and sends copies to all of its customers. The mere fact that it's an unusual gift makes it far more memorable.



According to the president of a company with 3,000 employees, "The important thing is to convey the impression of friendship and personal interest. That can seldom be done by sending a gift with a printed card or a scribbled signature, no matter how costly the gift. That makes it a handout. But every year, I telephone personally to several dozen men, some of them all the way across the country. I exchange greetings, ask how they are, and we just get a chance to remember the sound of each other's voices. Because they know I'm busy and that the time spent represents more

of a personal sacrifice than even a $50 gift would, they appreciate it genuinely. I know that this is true because several of them have taken to calling *me* instead."

If you go in for business giving, whatever the occasion, try to carry out this theme of thoughtfulness and personal regard. It may or may not be coupled with a tangible remembrance. But the gift without the personal touch is of little or no value.

THE PLACE OF SHOWMANSHIP

Many a manager likes the feeling of cutting down on entertainment and other nonessential expenses because all of us like to feel that we are "hard managers" from time to time. It gives us a virtuous glow to picture subordinates as saying, "The boss is tough, but he knows what he's doing."

Some of this is all to the good. The occasional swishing of the cost-cutting scythe is a necessary trimming operation. Without it, all your expenditures start to get overgrown.

But don't go too far in the direction of austerity. Entertainment has been a vital part of getting along with people for as long as history records. Few people know that Julius Caesar first became famous in Rome not as a general, but as a party-giver. He had the money and the personality to make a host of friends in the right places with his lavish feasts. Then, when his showmanship had earned him appointments to high offices, he had the genuine ability that carried him to greater things.

In business today, showmanship is as vital a part of success as it was in ancient Rome. You've got to have something genuine to offer, and you've got to know how to sell yourself and your company as well. But showmanship doesn't mean just spending freely and doing everything in the grand manner. It has to be pitched to the audience, attuned to the desired effect. There are times when a spectacular display is needed. Yet great showmen sometimes use a bare stage and two or three props to get their best results. Your showmanship in the entertainment of customers is only as effective as the thought you put into it.

Decide what it is you want to prove, what picture of yourself you want to leave in the guest's mind, then shape your methods to that end. ♦

Premiums in Today's Selling

(*Continued from page* 13)

by others. Therefore, when it becomes aware of some abuses in the industry and sets about to end them, it is a good sign that others will follow suit.

This doesn't mean that food companies are abandoning premiuming. Last year canned and frozen food manufacturers led the premium parade, followed by their cousins who make breakfast cereals, fats, and dairy products.

Premiums in the food industry take many forms and operate on all levels. Leading food manufacturers use the premium with the same adroitness shown by the Grand Masters of chess in their skillful manipulation of the horse. In addition to in-package and continuous premiums, they also tie in premiums with coupons and other merchandising techniques. It is known, for instance, that a premium offer can increase readership of an advertisement by as much as 200 per cent. The premium has personal appeal; it can be used to get better and larger distribution and preferential display treatment.

Other advantages of the premium are well known in the food field but probably not widely explored and used by other businessmen. They can be used effectively, even by small companies; they can encourage selling-up at the trade level; they can generate store enthusiasm, especially among store managers (leading to kid-glove treatment of the product); their costs can be projected with some accuracy; they provide customer-inducement to buy and retain (especially the newly introduced product); they attract non-buyers; and they are easily administered. A premium offer can be tacked on to the normal advertising schedule to support a sales campaign. And the premium head of General Foods said recently that the overall cost of premiums is not necessarily extra; it can be amortized or written off.

What will a premium manufacturer do for a premium user? One leader in the field—a premium house that has been used by many "blue-chip" companies, including top grocery producers—is set up to handle redemptions in this way: (1) Reserve a special post office box for the manufacturer using the premium; (2) open mail, process returns; (3) mail out premiums and take care of bounce-backs; (4)

submit periodic reports on returns and on mailings; (5) provide case histories and consult with the manufacturer to suggest which premium to use, to recommend a pricing policy, and to estimate probable results; (6) guarantee good delivery and satisfaction to manufacturer's customers who take the offer.

THE TRADING STAMP BOOM

The use of trading stamps is one type of premium practice that should interest all businessmen. Many businesses are affected by the public's trading-stamp mood. It is predominantly because trading stamp companies are flourishing and shoppers have responded to them so strongly that premiums are breaking records. A Harvard study states: "Trading stamps have reached the crest of the greatest boom in their 65-year history." The number of people saving trading stamps is astounding; in areas where trading stamps are widespread, they are collected by as many as 90 per cent of the population. A poll in 1957 indicated that stamps are saved by two-thirds of all American families—more than 100 million people!

Retailers offering stamps in 1957 accounted for 12 per cent of total retail sales—about three times the previous record, set during World War I. They're running at about 25 times the average yearly total between these peak years.

Supermarkets entered a new era of low-cost food distribution after World War II. Then they reached a point of non-distinctiveness (in terms of price), and many turned to stamps in an attempt to wrest volume from their competitors. (A sizable group of food chains, headed by the daddy of them all, A&P, refused to consider stamp plans, however.) Stamp plans also proved to be a weapon for the little fellows in their fight against the big ones. Thus, although the use of trading stamps costs the retailer an average of about 2.5 per cent of gross sales, they were soon being carried by 8 per cent of food chains and by 100,000 other retailers.

DO STAMPS RAISE PRICES?

One could jump to the conclusion that this extra 2.5 per cent would be reflected immediately in higher prices, but this doesn't seem to be the case. One result of the competition rampant in the postwar food industry was the noticeable thinning of the ranks of small

(less than $75,000 annual volume) corner grocers, who were hitched to 1890 horse-and-buggy methods. By boosting their volume at the expense of inefficient grocers (whose mortality doubled to 3 per cent from 1953 to 1956), food chains and the more efficient small retailers were able to offer stamp plans and remain competitive without raising prices, according to most surveys. A 21-city survey by the Bureau of Labor Statistics early this year reported that retail prices of food sold in chains that give stamps rose 0.6 per cent more than prices in nonstamp stores between November, 1953, and March, 1957. But, the survey added, it would appear that, on the average, customers who save and redeem stamps can more than recoup the relative price difference.

What the big food chains do is always an important influence on retailing in general, especially now that they command $53 billion in annual sales—about 25 per cent of the nation's retail sales of $200 billion. When a supermarket introduces stamps, other retailers find their customers insisting that they take them on, too.

Everything is not roses in the industry, however. *Progressive Grocer* noted a slight downward trend last year, because more stores dropped stamp plans than took them on. And a study by the same magazine last September showed that half the supermarkets that discontinued trading stamps experienced no change in sales, one third registered gains, and only 18 per cent recorded a sales loss. Yet retailers, who usually lose some of their profit when they take on stamps, often find dropping them easier said than done. Like credit and delivery, stamps are a built-in service that customers have come to expect, and the retailer has no guarantee that he won't be among the unfortunate 18 per cent who lose sales. Thus we can expect trading stamps to be around for a long time to come—and as long as trading stamps thrive, premiuming will stay healthy.

A MATURING INDUSTRY

In 1958, the premium industry showed about a 20 per cent rise over 1957, and the number of offers by manufacturers increased 23 per cent to a new record high of 1,279, according to *Premium Practice*. Of course, women are the main target of premiums, and almost half the 1958 campaigns were aimed at Mrs. Consumer—or her daughter. A trade paper reports that four out of seven teenage girls shop for the family's food and spend about 22 per cent of the family budget. About 70 per cent of the pony-tailers share

brand decisions with their mothers. In addition, these girls and other juveniles were the focus of 21 per cent of all manufacturers' premium drives. General-target premium forays amounted to 20 per cent of the total number.

The premium industry is also maturing and becoming even more resourceful than in the past. Some manufacturers who produced premium lines just to fill in a slack season have found out that there are others who take it more seriously and are devoting more of their research and sales efforts to the task of moving goods along the premium way.

A house with standard and novelty premiums from all nations offers self-liquidators (the customer's coin pays all costs) from a quarter on up and is designed to move goods for any manufacturer or increase the use of any service with a premium plan. Not only does it have a wide selection of premium items, but it can make them up to order in whichever of 60 countries offers the most reasonable cost. Under one roof it houses a 60,000-square-foot processing plant, 400 employees, electronic data-processing equipment, and its own post-office substation. No wonder it can do a redemption job within 48 hours!

WHEN THE CUSTOMER GETS STUCK

Some leading marketing authorities have concluded that consumer premiums and trading stamps add value. But that is not always the case. One merchandising expert emphasizes over and over again the need for absolute honesty in premium offers. The premium should be a bargain, one that the consumer recognizes as a true value. If the premium is dubbed a $1.00 value and calls for one box top and 75 cents, then the consumer, the brand manufacturer making the premium offer, and the premium maker are all making a profit.

Nevertheless—and the industry is aware of this only too well—there are times when the customer is duped. The $1.00 "bargain," he finds out to his sorrow, could be bought down the street at 79 cents—without any coupons, tapes, box tops, or mail costs. That sours him on the whole idea of premiums, and the brand name manufacturer may have lost a customer. After an experience like this, the brand-name premium user and the "sucker" both say pretty bitterly: "Premiums? No thanks, not for me!"

That's not how things stand at the present. Premiums are in

the ascendence. They proved themselves in the last recession: While advertising in general took a dip for the first time in 20 years in 1958, premiums moved to the sunny side of the street. Reports so far in 1959 indicate that this year should be another record-breaker. This upward movement in premium use is a gradual thing that may rise as high as $4 billion by 1965. Premiums will probably assume a more important consumer role outside the food industry. More use will be made of them as incentives for salesmen, dealers, and personnel, to get consumers and dealers to pay bills on time, and to increase preferential product treatment. If trading stamp companies continue to flourish, and if they can break through states that curb them now, premium use should increase by 100 per cent over 1957 within seven or eight years.

WHO SHOULD USE PREMIUMS?

The premium is protean. It can take as many forms as there are business organizations—and then some. The management that is already in the premium field needs no preaching; others may be on the verge of trying premiuming because it's modern, "catchy," and can pump life into any consumer product. Even managers who have never thought of premium use in connection with their organization might find that, whether or not their product is a consumer item, it is handled by a great number of people from production down to the final sale—and the use of premiums in some form could stimulate more interest all the way down the line.

Probably the most painless way to explore the feasibility of premiuming would be to discuss the matter with an expert in the field. In this age, when consultants stand ready to advise on public relations, advertising, plant location, and almost everything else under the sun, there is also the premium expert.

It may well be worthwhile for the interested manager to call in one of these premium men and exchange ideas on what premiums can do for his organization. Here are some of the questions that might be considered:

1. Do I need premiums? Why?
2. What good will premiums do?
3. To whom do we address these premiums?
4. What is the right premium for my purpose?

5. How much does it cost: effort, money, personnel, time, space, etc.?

6. Would premiums really enhance my product, service, or reputation among my major publics (consumers, dealers, wholesalers, personnel, stockholders), or would they water it down?

7. How about the company image? Would it be harmed if, for instance, we were to offer rock-and-roll records as premiums?

8. How do I start?

9. Where do I finish; and will it be worth it?

The Secretary of Labor estimated that by 1965, population will hit 193 million and the G.N.P., $560 billion. If this goal is to be attained, personal consumption will have to increase considerably. Promotion will have to move into higher gear, and premium use should also increase, because many manufacturers will see its particular advantages.

PREMIUMS AND AD AGENCIES

Before this can come to pass, however, one stumbling block will have to be moved out of the way. At present, major advertisers retain advertising agencies that place ads for them in a variety of media. Reimbursement is by a 15 per cent commission of billings. But these same advertisers seldom get the agency's help on premium campaigns, because this is a noncommissionable item. Many advertising agencies are trying to move up into a "total marketing" role. They want to graduate from merely preparing and placing ads and lift themselves to the rank of marketing experts. When they do this (and they will, soon, if manufacturers assist them in achieving this role by compensating them for such "extracurricular" duties as contests, premiums, and other merchandising methods) then the problem of the "under-stimulated" consumer may diminish.

Advertising agencies and their spokesmen, on the other hand, must get off their high horses of "art, copy, and media." They must admit the real value of the premium as a sales tool. To knock premiums as mere "gimmicks" and tricks is as reactionary as fighting advertising itself. The use of premiums may be unorthodox and risky in untried fields, but whoever believes in the power of advertising should pay close attention to the sales punch that they can pack. ♦

Trends Within the Labor Movement

(*Continued from page* 18)

In this social movement context, the members and the leaders have certain ideologies that motivate them. These ideologies have rarely been spelled out. They are revealed at best in the feeling that, if possible and necessary, the government should play an important role in providing for the welfare of the people—it should establish priorities of one type or another, and it should forthrightly deal with economic hardships.

The kind of role that the market now imposes upon our trade unions has become more rigid and more narrowly bounded. In consequence, the unions will turn somewhat more than in the past to being social movements—they will shift their emphasis from economic programs to welfare activities. This change of emphasis will occur for a variety of reasons.

One of these reasons is that more and more key decisions in this country will tend to be political decisions. Whether we like it or not, almost everybody will have to get into politics in some way.

A trade union is often confronted with contradictions between its market role and the social welfare role which it favors. It may operate as a pressure group in defending the interests of its particular industry, and in so doing violate a fundamental philosophy it advocates. For example, the labor movement, by and large, favors free trade; it favors increased cooperation among nations and, therefore, low tariffs. But many trade unions have a very different interest. Thus the National Maritime Union has tried to force the shipping of Marshall Plan goods in American ships and the Textile Union has clamored for high import duties against Japanese goods.

You find the same kind of dual role played by some business people: They try to obtain advantages for their firms while at the same time believing that their role as businessmen is one that serves the general good of the society.

POLITICAL INFLUENCE OF LABOR UNIONS

The trade union movement tends to operate in the political orbit because a large part of the gains it seeks can come through political action.

In the last twenty years we have seen the rise of what can be termed the poll concept of democracy. According to this idea, the democratic process occurs less in representative terms and more in terms of polls of opinions. The questions posed in polls tend to oversimplify issues: Should a farmer plant this? Should businessmen do that? Should labor unions be responsible for this?

Policy makers cannot be guided reliably by answers in these terms, because there are, for example, many different kinds of farmers with different interests pertaining to different crops, different regions, and different ways of marketing their products. It is also quite obvious that there are many competing and even conflicting elements in "business"; to use the term as though everyone thus engaged were alike is to disregard a variety of crucial differences.

There are similar but probably less marked differences in the interests of labor unions and labor leaders. Thus the Boilermakers and Machinists may wind up on different sides of a political issue because the Boilermakers who are in shipbuilding want to get increased appropriations and protection for shipping, whereas the Machinists want to get increased guided missile programs or aircraft programs. The fight between these unions over the Defense Department budget reflects these differences of interest.

The growing pressure in our society to think of problems in global terms causes issues to become symbolized and various groups, such as farmers, labor leaders, and businessmen, to think of themselves in symbolic terms. They begin to look for coherence and identification that will allow them to operate in these terms. This tendency is reinforced by the fact that government itself is organized in ways that recognize classifications of individuals more than the individuals themselves. Thus, there is one commission or agency for farmers, another for businessmen, and so on.

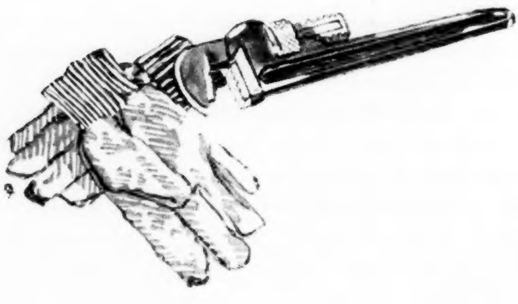
But as individuals and their associations get into politics, they can no longer afford to stand alone. They have to cast about for allies. This requires them to take positions on a wide variety of issues well beyond the scope of their immediate interests. For example, a labor union will be asked to take a stand on a certain type of tax, on minimum wage legislation, and on a variety of issues that in themselves could create a certain kind of ideological flavor. Taxes alone are clearly a kind of issue which can create a community of interests

between business and labor. This would be particularly true in the case of an excise tax upon a particular type of product.

FUTURE POLITICAL ACTION

The ideology of American labor unions is in part a residue of past radical theories. But the influence of this type of thing is minor, even though some businessmen may believe otherwise. Most unionists are quite aware of the fact that Socialism was started in Europe and that the promises of Socialist parties there have meant very little in actual achievement. Our unionists realize that the problems remaining for Europe are rather similar to those here. These problems pertain to incentives to investment, enterprise, and capital growth, as well as to income distribution, and they are questions for which Socialists very rarely have answers.

The very fact that the trade union movement in America has been able to make such striking gains, while the more political labor movements of Europe have not been successful, has had a profound effect upon the thinking of unionists in this country. The political activity of American unions will remain primarily a means to a desired end, based on the expedients of the moment rather than on any prevalent political ideology. ◆



Operating in the Common Market

(*Continued from page* 23)

Company C's strength lies in its manufacturing know-how and its research laboratory. If Company C had not licensed the licensees it did, it faced the prospect that these companies would have developed their own processes a few years hence.

By licensing promptly when its know-how was very much in demand, Company C obtained highly profitable long-term agreements.

One of the interesting facets of Company C's situation is the close collaboration that is developing between the French and German licensees. The French and German tariffs on Company C's main product are not a serious obstacle to trade between the two countries. The reason for a license in each country was the need for an effective sales agent in each.

It happens that the manufacturing process consists of two distinct stages. The German licensee has decided, for the time being at least, not to tool up for the first stage. Instead, it is purchasing semifabricated material from the French licensee. The two are also exchanging technical information, which is made available to the licensor in accordance with the license agreements.

In a separate but related field, the German licensee has developed what may be a valuable new process, for which Company C has the right of first refusal. Licensing has given Company C three things that investment could not: better access to customers, cooperation from potential competitors, and technical reciprocity.

Case 4—An Unexpected Dividend

The next case is characterized by a simple but powerful motive—the desire to survive. A French plastics manufacturer has been coasting along comfortably on its original technological capital. Perhaps it would have continued to do so if the Rome Treaty had had not been signed. When that happened, the French company began to look at its potential competition in other Common Market countries—and it became an eager customer for a license from American Company D.

For Company D, the license was a dividend from the European

Common Market. It has no foreign patents, and its manufacturing know-how, while good, is probably equalled by a dozen or more competitors, including several in Europe.

Other U.S. companies will doubtless benefit similarly from the improved climate for competition within the Common Market.

Case 5—One Plant Does the Job of Two

Company E is developing plans for a major investment program in Europe. As a result of the Common Market, the investment will probably be about half the amount originally contemplated. This saving of capital does not reflect smaller expectations, but the company's conclusion that it can achieve the same market goal with a single basic processing plant instead of two or more.

A second consequence of the reconsideration of plans is that the company may license secondary fabricating plants, which will use material processed at the basic central plant that will be the key to the company's operations in Europe. Heretofore, licensing had been excluded as a possibility.

The case of Company E, although still in the planning stage, is interesting enough to deserve further analysis. The company's manufacturing operations consist of two clearly defined stages, which may be geographically separated without serious disadvantage.

The first stage is material processing, which requires a large investment in facilities and involves secret processes and a high degree of skill. The second stage is product fabrication, for which skill and the company's specially developed tools are also important, but less so relatively. Capital requirements for the second stage are about one quarter of the capital needed for material processing. The products are sold under a well-known trademark.

Company E's products are equipment components. Until several years ago, the company enjoyed sales of about $2 million a year in Europe, mostly in replacement parts for American-made equipment and partly in original installations in European-made equipment. Then the market began to dry up, chiefly because the company's U.S. customers had lost their market in Europe, and the demand for replacement parts dwindled. The company also lost its Continental market for original equipment to a British competitor.

Even before the Common Market was widely discussed, and in-

dependently of it, Company E was moving toward a decision to establish manufacturing operations in Europe to produce components for European equipment. At that time the company believed that completely integrated plants would be required in at least two and possibly three countries. Each integrated plant would cost nearly $2 million.

Now Company E contemplates only one integrated plant located in a Common Market country, plus one or two secondary fabricating plants. Whether the secondary plants would be operated as subsidiaries or by licensees is not yet determined, but the company is able to approach the problem with a flexibility which earlier seemed impossible.

Indeed, in the study now being made, the company is considering as one alternative establishing only one fabricating plant in the Common Market—the one attached to the processing plant. The decision will depend upon a comparative analysis of existing tariff rates on the processed material and on end products, plus some crystal ball work on the tempo of the reduction of internal tariffs and the outlook for the external tariffs.

The crystal ball seems to be especially cloudy with respect to external tariffs, which are important to the decision, since Britain is the source of the principal competition for the products in question.

If the tariff vis-a-vis British goods should remain approximately what it is while internal tariffs are progressively reduced, Company E may conclude that time will work in its favor and local fabricating plants will not be needed.

An intriguing possibility that may emerge from the study concerns entering the British market from a Common Market plant. There is no significant sales volume to be expected in the United Kingdom for imported end products, but the British duty on the processed material is not prohibitive. It may be feasible to establish a British fabricating plant, using imported material.

Case 6—Granting Six Separate Licenses

Each of the previous case histories concerns the impact that the Common Market, even in this early stage, has already had on the plans and operations of particular American companies. The discus-

sion may convey a misleading impression that all U.S. companies that have or contemplate having European subsidiaries or licensees may be greatly affected.

Such is not the case at all, as the example of Company F indicates.

Company F, which recently introduced a patented cattle feed, has granted licenses in France and Italy, and is negotiating licenses in other Common Market countries. The company has soundly concluded, on the basis of the specific facts of the case, that separate national licensees will obtain greater sales than could a single licensee for the whole area.

The Common Market probably will have no effect on Company F and many others like it, except indirectly and eventually by raising per capita income.

From these cases, it seems evident that the Common Market will have widely varying effects on U.S. manufacturing and licensing in Europe. Whether to invest or to license or to combine the two, where to license and how to do it, are questions that should not be answered by last year's assumptions. The new situation that is shaping up invites alertness, imagination, critical analysis, and flexibility.

PATENT PRACTICES IN THE COMMON MARKET

A major uncertainty in the new situation is future policy with respect to patents and territorial exclusively in licenses. Some far-reaching problems with respect to patent practices are implicit in the Rome Treaty, although they seem to have received very little attention thus far.

One problem arises from the diversity of patent systems, particularly with respect to life of patents and the criteria by which they are granted. In Germany and the Netherlands, for example, patents are allowed only after a search for prior or conflicting patent claims—a practice similar to our own. On the other hand, the criteria are much less strict in France and Belgium.

ENFORCING EXCLUSIVITY

Logically, a single market should have a single patent system, and in due time this may be the result. A patent granted in one Common Market country would then be equally valid in all six, and a

single application might suffice for all. But this prospect is probably some years away.

In the meantime, U.S. companies that plan to license or to manufacture directly in any of the six countries would probably be well advised to seek patent protection in all six. If they do not, a situation like the following might arise:

Let us suppose that a U.S. company obtains patents in all countries but the Netherlands. An exclusive license is granted to a German company covering all Common Market countries where patents have been obtained. A Dutch company copies the product and offers it for sale in France or in Germany.

Can the German licensee successfully claim infringement of the French or German patents? In short, can exclusivity be legally enforced? At present, the answer would seem to be yes. But a few years from now? One cannot be sure.

Or let us suppose that a U.S. company has granted an exclusive license in France and another in Italy, each applicable to the national territory. Can any exclusive license applying to a territory smaller than the Common Market area be enforced?

According to Article 85 of the Rome Treaty, agreements that prevent the free play of competition and affect commerce between the member states are declared to be null and void. Market-sharing is specifically prohibited.

But exceptions may be made. Agreements that promote technical progress may be declared valid. Exclusive licenses might therefore be permitted, even though they involve market-sharing, provided that they conform to rules or precedents yet to be established.

This reasoning points toward a conclusion that in future license arrangements a U.S. licensor should (a) obtain patents in all six countries, and (b) establish a single license for the whole of the Common Market. If market and psychological conditions should favor a French producer in France, an Italian in Italy, etc., such problems might be resolved by sublicensing, without specific territorial exclusivity.

This course of action, however, may also have pitfalls. In several of the Common Market countries, present legislation provides that if patents are not worked after a certain period of time they become public property or may be subject to compulsory licensing. France

and Italy, in principle at least, require that the patent be worked within three years, but this requirement is not always invoked in practice. The patent laws of Belgium and Luxembourg are similar.

Hence, this question: If a Luxembourg patent should not be worked *in Luxembourg,* might it become public property in that country, thereby enabling a nonlicensed Luxembourg manufacturer to compete freely with a selected licensee in all Common Market countries?

The question is probably far-fetched. After all, the members of the E.E.C. Council and Commission are practical men who are well aware of the social value of patents and of the need for uniform policies that all can understand. Nonetheless, early clarification is desirable so that the possibility of costly mistakes may be minimized.

With respect to questions of this kind where official thinking is not yet known, there is need for a channel of communication between American industry on the one hand and the E.E.C. Commission and European manufacturers' organizations on the other—a means by which information and guidance may be obtained on important questions not yet dealt with in any official publication. ♦

"Oh, Harvey, and to think that these are your peak earning years."

SURVEY OF BOOKS FOR EXECUTIVES

THE DECISION MAKERS: CASE HISTORIES OF SUCCESSFUL MANAGEMENT. Edited by Richard R. Conarroe. Vision, Inc., New London, Conn., 1958. 180 pages. $10.00.

*Reviewed by Carter C. Higgins**

Many top executives, especially those whose thinking has begun to slip into routine channels, will gain a new outlook on business life from this book, which offers histories of men who make things happen in their companies. The text is composed of 16 articles originally published in *Management Methods*. These are factual stories of business managers—mostly young ones—who know where they want to go and how to get there.

A business is well run when it is making substantial progress towards the goals set by its directors. In its presentation of case histories of successful management, this book achieves considerable breadth because of the varying goals and problems of the companies and presidents selected. These goals include the desire of professional architects to be relieved of business burdens by management, Bettinger's determination to grow, Revell's desire to dominate a special market it created, and Electronic Specialty's aim of constantly larger profits.

Ten of the 16 chapters are full case studies of particular companies and their managers. The other six chapters deal with more specialized matters: two are on labor problems and include a very advanced and thoughtful interview with Edward Swayduck (Amalgamated Lithographers of America); one gives a history of private finance; another deals with Scripto's venture into foreign operations; another gives a report on a survey of college graduates, which has some very important things to say about the next generation's feelings on becoming "organization men"; and the lead article by Lawrence A. Appley is on "How to Be a Professional Manager."

In this article, Mr. Appley sets the stage by portraying the top manager of today and appraising his performance five to ten years from now: He is first of all a planner; he assigns

* President, Worcester Pressed Steel Company.

the work to his organization, trains and builds his staff, appraises their work and, finally, gets his people to do their best. The histories that follow bear out this theme.

Mr. Appley also differentiates between the amateur and the professional manager: "The amateur gloats over his successes, and the professional worries about his mistakes." The analysis of mistakes, however, is more or less glossed over—or perhaps it is presented as part of a "before" picture. We would do well to find a bit more guidance on the line between stubborn, wishful thinking and courageous vision *before* the eventful outcome. From Mr. Appley's remarks and the case histories that follow, we do become aware of the flexibility that must exist if the executive is to meet new situations as they come up.

The greatest problem of chief executives, however, is the selection and direction of area activity executives. In this connection, the methods of Louis Wozar of Tait Manufacturing Co. and Arthur D. Lewis of Hawaiian Air Lines are described. These two young men were instrumental in strengthening their very sick companies. Also noted is how Lewis H. Glaser of Revell, Inc. changed over from one-man management to a management team with consultant help.

Another problem, that of directing top executives, is covered especially well in the chapter on Charles H. Percy of Bell and Howell. The story of William W. Shannon of Servomechanisms, Inc., which today plans its sales for several years ahead, gives a further treatment of this subject.

Except for the discussion of Rockwell Mfg. Co. and the story of Argus Cameras, Inc. becoming part of Sylvania, the book deals with small companies. The case histories concern the newer, more dynamic market areas, with two exceptions: (1) Bob Weaver's report on porcelain enameling for Bettinger Corp. (although his enthusiasm makes this, too, seem dynamic) and (2) Mr. Davy's report on his management of a tannery, which emphasizes only one phase of the operation.

Markets, for the most part, are comparatively stable. But, when other business leaders read how Wozar led Tait to a 1400 per cent increase in pump sales, and how Shannon and Burgess showed the way to strong positions in growth areas when their companies had only concepts to work on, they can be inspired to seek new areas in which their companies can make distinctive contributions.

The writing in this book is compact and clear, encouraging the reader to return to garner further details on questions that interest him. The vital information is all there, without padding.

The qualities that seem to underlie these success stories are understanding and flexibility in human relations and courage and vision in business leadership. These are the necessary, everyday tools of today's professional manager, not just the technical tools of specialists. And the correct, enterprising use of these tools can move the mountains that hold back many American business organizations. In this country, we are not bound to repeat merely what we have always done in the past, nor are

we assigned to only one little niche. With vision, patience, and planning, we can strike out. This is, indeed, a heartening book that makes us become aware of our almost limitless potentialities.

EXECUTIVE SELECTION: ***How Psychologists Can Help.*** A special report by graduate students of the Graduate School of Business Administration, Harvard University. Management Reports, P.O. Box 136, Cambridge 38, Mass., 1959. 126 pages. $12.50.

*Reviewed by Ludwig Huttner**

The aim of this report is "to summarize current policies of industry in the use of psychologists in executive selection" in order to help top-level management understand this fairly new field of personnel service and to facilitate its optimal use in practice. Thus, in essence, it is a survey of how industrial psychologists operate in the business world and in what ways they are used. From this standpoint, the authors have done a consistently good job of reporting.

The report is not, however, a really comprehensive survey of the extent to which industrial psychologists are now used in industry, since the psychologists and consulting firms surveyed represent only a small (though highly select) group of professionals in the field. By the same token, the sample of companies surveyed is also somewhat biased. Also there is no hint here that not all companies have enjoyed an equal degree of success and satisfaction with executive selection services. On the whole, the authors have probably painted a somewhat rosier picture than *all* the available data would have revealed.

Nevertheless, they make a good and convincing case for the development of more objective standards on the one hand, and for better techniques on the other, and I believe that the average executive will concur with many of the conclusions drawn here. The authors make an equally good case for the use of outside psychologists and suggest some sound standards for evaluating a psychological consultant. However, they might have made a stronger plea for actual experience in the business world on the psychologist's part. A mere acquaintance with the "ideas of business" or "sympathy with business aims" is not sufficient evidence of professional competence in this respect.

In several instances, the authors might have been more conservative and labeled some of their conclusions more clearly as opinions rather than as apparently incontestable truths. For example, one of the measures of a reliable psychological consultant, they conclude, is that he should make substantial use of projective techniques, because paper and pencil personality tests are "not adequate." While I happen to concur wholeheartedly with this opinion, it should, nevertheless, be recognized that there are a number of reputable psychologists who would debate it at length. Again, it is asserted that employing psychologists to evaluate non-psychological factors does not make the best

* Manager, Stevens, Thurow and Associates, Inc., Minneapolis.

use of their services. Here too, while I agree that the psychologist may not be the best person to evaluate technical competence or education, it must be recognized that there are a number of relevant non-psychological dimensions that an industrial psychologist must take into account in making his appraisal. If we accept the fact that an individual is a cohesive entity, the "psychological" factors cannot be taken out of context.

I must confess that I am somewhat surprised, even shocked, by some practices reported in the study that are apparently accepted by the authors as ethical and defensible. For instance: "One business firm had the psychologist and the person to be evaluated meet by introducing the psychologist as an employee from another city who would be sharing the company hotel suite while the interviewee was there. The two talked in the evenings and the psychological evaluation was thus made without the applicant's realization." In my opinion, such a procedure is highly unethical, and the authors should have gone on record as condemning it.

The authors conclude that psychologists should avoid cross-evaluation and should refrain, therefore, from making a straightforward recommendation. But such a practice can easily lead to the psychologist becoming a Delphic Oracle who is never wrong—if the candidate pans out, he may claim credit; if the candidate fails, he may disclaim all responsibility, arguing that management had drawn the incorrect conclusion. Such an ambiguous stand testifies to a lack of confidence by the psychologist in the value of his tools, service, and judgment. I agree that the psychologist should not be the decision-maker; this is a prerogative which management should not and cannot abdicate. But neither should he disclaim all responsibility through the allegedly professional excuse of not taking a stand.

In general, however, the report provides most of the necessary yardsticks for assessing the use of psychologists in executive selection, and can be recommended to any manager who contemplates calling in a consultant for this purpose. It must be added, however, that the price of this publication is distinctly on the high side and rather out of line with the service it renders.

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

COMPANY CLIMATE AND CREATIVITY. Prepared by Deutsch & Shea, Inc. Industrial Relations News, New York, 1959. 103 pages. $10.00. A presentation of the views of 105 outstanding authorities on such topics as top management's role in creativity, barriers to creative climate, degrees of structure and control in creative research, and motivating the creative man.

CREATIVITY: *An Examination of the Creative Process.* Edited by Paul Smith. Hastings House, New York, 1959. 210 pages. $4.95. A report on the third communications conference of the Art Directors Club of New York. Some of the vital points discussed are acquiring creative ideas, creative ability and inspiration, techniques for discovering creativity in the individual, training to develop creativity, and environmental factors encouraging creativity.

SUCCESSFULLY FINDING YOURSELF AND YOUR JOB. By F. Alexander Magoun. Harper & Brothers, New York, 1959. 238 pages. $3.75. Intended primarily to eliminate the painful and all-too-common sequence of trial and error before the right job is found, this book shows how to take a realistic inventory of your own capacities and balance them against your preferences. The author also tells how to estimate the possibilities in your chosen field, how to sift this information into workable shape and, finally, how to put on a successful job-hunting campaign.

THE SILENT LANGUAGE. By Edward T. Hall. Doubleday & Company, Inc., New York, 1959. 240 pages. $3.95. The author, a leading American anthropologist, analyzes the many ways in which people "talk" to one another without the use of words—the concepts of *space* and *time* being the tools they use in doing so, according to his theory. Illuminated by many striking examples, this book is a provocative and stimulating excursion into anthropology and day-to-day living in America and abroad.

COST JUSTIFICATION. By Herbert F. Taggart. Bureau of Business Research, School of Business Administration, The University of Michigan, Ann Arbor, 1959. 588 pages. $12.50. A collection of all of the recorded instances in which respondents to Federal Trade Commission complaints or defendants in treble damage suits have attempted to defend their pricing practices by presenting information about their costs. Procedures in analyzing costs for this purpose are described in detail, and comparisons among the several studies are drawn wherever appropriate.

BUSINESS POLICIES AND MANAGEMENT (Fourth Edition). By William H. Newman and James P. Logan. South-Western Publishing Company, Cincinnati, 1959. 996 pages. $6.50. The inclusion of new cases on actual business problems is the most obvious change in this edition. Also, over half of the cases are newly written and the others have been brought up to date. A new chapter on the dynamic setting of business examines the nature of change in the environment of business and the close interrelation of this change to the policies of any one company.

LIVING WITH STRESS. By Nancy E. Gross. McGraw-Hill Book Company, Inc., New York, 1958. 207 pages. $3.95. A popular account of the famous "stress theory" developed by Dr. Hans Selye, this book shows how stress relates to practical everyday living, and its bearing on health and mental well-being. Some interesting accounts of the way the theory has been applied in present-day medical therapy are included.

PUBLIC ADMINISTRATION (Revised Edition). By Marshall Edward Dimock *et al.* Rinehart & Company, Inc., New York, 1958. $7.00. This revised edition of a book originally written by Edward Dimock and Gladys Ogden Dimock is also the work of a third author, Louis W. Koenig. The book has been entirely rewritten and reorganized in the light of criticisms by instruc-

tors who, in using the original text, felt that the treatment of the framework and top-level organization of government was inadequate and that more attention should be given to the principles of administration. The revised version continues, however, to emphasize the role of the operating official in an attempt to give the student the "feel" of an administrative situation.

OPERATIONS RESEARCH FOR INDUSTRIAL MANAGEMENT. By Dimitris N. Chorafas. Reinhold Publishing Corporation, New York, 1958. 303 pages. $8.75. A detailed explanation of the most recently developed operations research techniques for management decision-making, with emphasis on the so-called simulation studies. Also discussed is the application of operations research methods to such matters as financial allocation, transportation problems, inventory control, and production setups.

STREAMLINING YOUR EXECUTIVE WORKLOAD. By Ray Josephs. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1958. 203 pages. $4.95. A working manual for the executive who needs a wide choice of alternative answers to his unique problems, this book examines such pertinent topics as using your best hours for the most important tasks, when and where to do your major thinking, shaping development processes, delegating work and authority, getting more out of your secretary, and solving communications problems.

THE MANAGEMENT COUNSELLOR SPEAKS TO YOU. By A. Godfrey Cruft. W. & R. Chambers, Ltd., Edinburgh, 1958. 160 pages. 15 cents. An over-all assessment of the problems and difficulties of small and medium-sized firms. Originally published as a series of articles in a leading Scottish newspaper, the 28 chapters include such topics as self-analysis, management audit, and the mechanism of internal control.

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